EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2014

Contents

pwc

EuroChem Group AG
Zug

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2014

Report of the statutory auditor
to the General Meeting of
EuroChem Group AG
Zug

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EuroChem Group AG, which comprise the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes, for the year ended December 31, 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

PricewaterhouseCoopers AG, Grafenauweg 8, Postfach, CH-6304 Zug, Switzerland
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Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Matthias von Moos	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zug, February 6, 2015

Enclosure:

- Consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes)

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	31 December 2014	31 December 2013	1 January 2013
ASSETS				
Non-current assets:				
Property, plant and equipment	9	3,465,620	4,670,781	4,207,705
Mineral rights	10	298,371	466,771	504,918
Goodwill	11	339,728	387,335	374,405
Intangible assets	12	159,695	213,866	237,895
Investment in associates and joint venture	13	112,665	107,905	-
Available-for-sale investments		-	-	63,038
Available-for-sale investments pledged as collateral		-	-	29,929
Originated loans	16	40,170	12,700	-
Derivative financial assets	22	-	32,502	64,150
Restricted cash	17	10,125	2,706	1,449
Deferred income tax assets	32	219,877	182,393	161,284
Prepayment for investment in associate		-	-	83,060
Other non-current assets		110,816	21,995	6,459
Total non-current assets		**4,757,067**	**6,098,954**	**5,734,292**
Current assets:				
Inventories	14	555,649	692,677	757,467
Trade receivables	15	339,856	363,439	347,929
Prepayments, other receivables and other current assets	15	259,936	261,110	322,657
Income tax receivable		2,400	5,660	6,226
Originated loans	16	29,402	3,000	-
Derivative financial assets	22	-	10,130	2
Restricted cash	17	-	-	13,349
Fixed-term deposits	17	13,440	74,605	120,885
Cash and cash equivalents	17	363,418	505,738	508,488
Total current assets		**1,564,101**	**1,916,359**	**2,077,003**
TOTAL ASSETS		**6,321,168**	**8,015,313**	**7,811,295**
LIABILITIES AND EQUITY				
Equity attributable to owners of the parent:				
Share capital	18	111	-	-
Equity not directly owned by the Company		-	3,716,670	3,510,025
Retained earnings and other reserves		2,195,774	-	-
		2,195,885	**3,716,670**	**3,510,025**
Non-controlling interests		1,490	5,167	6,177
Total equity		**2,197,375**	**3,721,837**	**3,516,202**
Non-current liabilities:				
Bank borrowings and other loans received	19	1,470,119	2,005,907	1,961,182
Bonds issued	21	748,154	1,050,543	1,072,999
Derivative financial liabilities	22	180,445	4,350	-
Deferred income tax liabilities	32	142,176	197,859	207,311
Other non-current liabilities and deferred credits	23	89,838	155,884	203,933
Total non-current liabilities		**2,630,732**	**3,414,543**	**3,445,425**
Current liabilities:				
Bank borrowings and other loans received	19	662,029	255,758	224,148
Bonds issued	21	177,404	-	-
Derivative financial liabilities	22	203,513	6,883	-
Trade payables	25	199,011	260,900	276,121
Other accounts payable and accrued expenses	25	196,422	307,965	278,197
Income tax payable		26,346	16,026	41,255
Other taxes payable		28,336	31,401	29,947
Total current liabilities		**1,493,061**	**878,933**	**849,668**
Total liabilities		**4,123,793**	**4,293,476**	**4,295,093**
TOTAL LIABILITIES AND EQUITY		**6,321,168**	**8,015,313**	**7,811,295**

6 February 2015

Dmitry Strezhnev	Andrey Ilyin
Chairman of the Board of Directors of EuroChem Group AG	Member of the Board of Directors of EuroChem Group AG

The accompanying notes on pages 5 to 58 are an integral part of these consolidated financial statements.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Sales	26	5,087,500	5,555,658
Cost of sales	27	(3,073,665)	(3,541,730)
Gross profit		**2,013,835**	**2,013,928**
Distribution costs	28	(693,845)	(793,188)
General and administrative expenses	29	(215,868)	(210,670)
Other operating income/(expenses), net	30	156,132	(13,356)
Operating profit		**1,260,254**	**996,714**
Share of profit from associates		18,211	11,904
Dividend income		-	3,651
Loss on disposal of available-for-sale investments		-	(46,970)
Interest income		11,939	7,907
Interest expense		(152,345)	(161,809)
Financial foreign exchange gain/(loss), net		(1,067,225)	(184,997)
Other financial gain/(loss), net	31	(527,718)	(29,663)
Profit/(loss) before taxation		**(456,884)**	**596,737**
Income tax expense	32	(120,693)	(210,180)
Profit/(loss) for the period		**(577,577)**	**386,557**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		(1,203,355)	(83,753)
Revaluation of available-for-sale investments, net of tax		-	(45,293)
Disposal of available-for-sale investments – reclassification of revaluation to profit or loss, net of tax		-	46,970
Total other comprehensive loss for the period that may be reclassified to profit or loss in subsequent periods		**(1,203,355)**	**(82,076)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of post-employment benefit obligations, net of tax		3,895	844
Total other comprehensive income for the period that will not be reclassified to profit or loss in subsequent periods		**3,895**	**844**
Total comprehensive income/(loss) for the period		**(1,777,037)**	**305,325**
Profit/(loss) of the period attributable to:			
Owners of the parent		(577,482)	386,755
Non-controlling interests		(95)	(198)
		(577,577)	**386,557**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(1,775,779)	305,749
Non-controlling interests		(1,258)	(424)
		(1,777,037)	**305,325**
Earnings/(loss) per share – basic and diluted	33	(577.48)	386.76

The accompanying notes on pages 5 to 58 are an integral part of these consolidated financial statements.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Operating profit		1,260,254	996,714
Income tax paid		(170,889)	(251,054)
Operating profit less income tax paid		**1,089,365**	**745,660**
Depreciation and amortisation	29	267,254	310,104
Net loss on disposals and write-off of property, plant and equipment		11,696	23,908
Change in provision for impairment of receivables and provision for obsolete and damaged inventories, net		9,157	3,599
Other non-cash (income)/expenses, net		131,183	36,521
Gross cash flow	**5**	**1,508,655**	**1,119,792**
Changes in operating assets and liabilities:			
Trade receivables		(195,308)	(40,172)
Advances to suppliers		(12,800)	19,516
Other receivables		(142,065)	(1,114)
Inventories		(225,469)	(4,936)
Trade payables		36,392	(6,103)
Advances from customers		(5,546)	10,768
Other payables		12,647	27,610
Restricted cash, other assets and liabilities		(12,521)	11,332
Net cash – operating activities		**963,985**	**1,136,693**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(1,063,985)	(1,018,355)
Purchase of mineral rights		(32,661)	-
Payment related to mineral rights acquisition		(5,489)	(5,179)
Investment in associates	13	(37,500)	(19,909)
Investment in joint venture	13,34	(18,000)	-
Prepayment for acquisition of subsidiary		(108,054)	-
Prepayments for other non-current assets		-	(491)
Portion of deferred compensation related to business combination, paid	23	(44,276)	(48,290)
Proceeds from sale of available-for-sale investments		-	3,081
Proceeds from sale of property, plant and equipment		1,581	4,995
Cash proceeds/(payments) on derivatives, net	22	(1,805)	-
Dividends received and refunded withholding tax on dividends received		440	3,085
Net change in fixed-term deposits		43,150	38,605
Originated loans	16,34	(28,627)	(35,700)
Repayment of originated loans	16,34	-	63,779
Interest received		11,138	7,210
Net cash – investing activities		**(1,284,088)**	**(1,007,169)**
Free cash inflow/(outflow)	**5**	**(320,103)**	**129,524**
Cash flows from financing activities			
Proceeds from bank borrowings and other loans received	19	1,776,089	2,367,442
Repayment of bank borrowings and other loans	19	(1,639,012)	(2,266,581)
Prepaid and additional transaction costs		(3,976)	(2,393)
Prepaid and additional transaction costs related to Project Finance		(24,167)	-
Interest paid		(160,998)	(158,091)
Cash proceeds/(payments) on derivatives, net	22	(19,904)	6,649
Acquisition of additional interest in subsidiaries		(2,536)	(390)
Purchase of ordinary shares of MCC EuroChem	34	(126,000)	(427,000)
Proceeds from sale of ordinary shares of MCC EuroChem	34	435,000	300,000
Capital contribution		-	50,000
Share capital of the Company issued and paid in	18	111	-
Contribution to legal reserve of the Company	18	5,000	-
Net cash – financing activities		**239,607**	**(130,364)**
Effect of exchange rate changes on cash and cash equivalents		(61,824)	(1,910)
Net decrease in cash and cash equivalents		**(142,320)**	**(2,750)**
Cash and cash equivalents at the beginning of the period	**17**	**505,738**	**508,488**
Cash and cash equivalents at the end of the period	**17**	**363,418**	**505,738**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Attributable to owners of the parent						
	Share capital	Equity not owned directly by the Company	Cumulative currency translation differences	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	-	**3,510,025**	-	-	**3,510,025**	**6,177**	**3,516,202**
Comprehensive income/(loss)							
Profit/(loss) for the period	-	386,755	-	-	386,755	(198)	386,557
Other comprehensive income/(loss)							
Actuarial gain on post employment benefit obligations	-	844	-	-	844	-	844
Currency translation differences	-	(83,527)	-	-	(83,527)	(226)	(83,753)
Revaluation of available-for-sale investments	-	(45,293)	-	-	(45,293)	-	(45,293)
Disposal of available-for-sale investments	-	46,970	-	-	46,970	-	46,970
Total other comprehensive loss	-	(81,006)	-	-	(81,006)	(226)	(81,232)
Total comprehensive income/(loss)	-	**305,749**	-	-	**305,749**	**(424)**	**305,325**
Transactions with owners							
Capital contribution	-	50,000	-	-	50,000	-	50,000
Transactions with ordinary shares of MCC EuroChem	-	(149,300)	-	-	(149,300)	-	(149,300)
Acquisition of additional interest in subsidiaries	-	196	-	-	196	(586)	(390)
Total transactions with owners	-	**(99,104)**	-	-	**(99,104)**	**(586)**	**(99,690)**
Balance at 31 December 2013	-	**3,716,670**	-	-	**3,716,670**	**5,167**	**3,721,837**
Balance at 1 January 2014	-	**3,716,670**	-	-	**3,716,670**	**5,167**	**3,721,837**
Comprehensive income/(loss)							
Profit for the period	-	303,649	-	-	303,649	-	303,649
Other comprehensive income/(loss)							
Currency translation differences	-	(57,503)	-	-	(57,503)	-	(57,503)
Total other comprehensive income/(loss)	-	(57,503)	-	-	(57,503)	-	(57,503)
Total comprehensive income	-	**246,146**	-	-	**246,146**	-	**246,146**
Transactions with owners							
Reclassification from capital contribution to bank borrowings and other loans received (Note 19)	-	(50,000)	-	-	(50,000)	-	(50,000)
Transactions with ordinary shares of MCC EuroChem (Note 34)	-	300,000	-	-	300,000	-	300,000
Total transactions with owners	-	**250,000**	-	-	**250,000**	-	**250,000**
Balance before the restructuring	-	**4,212,816**	-	-	**4,212,816**	**5,167**	**4,217,983**
Reorganisation under the parent company	**111**	-	-	**5,000**	**5,111**	-	**5,111**
Changes due to restructuring	-	**(4,212,816)**	**(311,690)**	**4,524,506**	-	-	-
Comprehensive loss							
Loss for the period	-	-	-	(881,131)	(881,131)	(95)	(881,226)
Other comprehensive income/(loss)							
Currency translation differences	-	-	(1,144,689)	-	(1,144,689)	(1,163)	(1,145,852)
Actuarial gain on post employment benefit obligations	-	-	-	3,895	3,895	-	3,895
Total other comprehensive income/(loss)	-	-	(1,144,689)	3,895	(1,140,794)	(1,163)	(1,141,957)
Total comprehensive loss	-	-	**(1,144,689)**	**(877,236)**	**(2,021,925)**	**(1,258)**	**(2,023,183)**
Transactions with owners							
Acquisition of additional interest in subsidiaries	-	-	-	(117)	(117)	(2,419)	(2,536)
Total transactions with owners	-	-	-	**(117)**	**(117)**	**(2,419)**	**(2,536)**
Balance at 31 December 2014	**111**	-	**(1,456,379)**	**3,652,153**	**2,195,885**	**1,490**	**2,197,375**

The accompanying notes on pages 5 to 58 are an integral part of these consolidated financial statements.

1 The EuroChem Group and its operations

The EuroChem Group comprises the parent entity, EuroChem Group AG (the "Company") and its subsidiaries (collectively the "Group" or "EuroChem Group"). The Company was incorporated under the laws of Switzerland on 16 July 2014 and has its registered office at: Alpenstrasse 9, 6300, Zug, Switzerland.

EuroChem Group AG became the parent company of the Group in September 2014 after EuroChem Group SE contributed 89.83% of the shares of JSC "Mineral Chemical Company "EuroChem" (hereinafter – "MCC EuroChem") to the Swiss-based Company (Note 2). In December 2014, EuroChem Capital Management Ltd., the Group's wholly-owned subsidiary, sold to EuroChem Group AG the remaining 10.17% interest in MCC EuroChem. Further details regarding the Group's structure are presented in Note 6.

At 31 December 2014, EuroChem Group SE owned 100% of the share capital of EuroChem Group AG.

A company that holds business interests beneficially for Mr. Andrey Melnichenko and his family owns 100% of Linea Ltd registered in Bermuda, which in turn owns 92.2% (31 December 2013: 92.2%) of EuroChem Group SE. The remaining 7.8% (31 December 2013: 7.8%) of EuroChem Group SE is held indirectly by Mr. Dmitry Strezhnev, CEO of the Group.

The Group's principal activity is the production of mineral fertilisers (nitrogen and phosphate based) as well as mineral extraction (apatite, phosphate rock, iron-ore, baddeleyite and hydrocarbons), and the operation of a distribution network. The Group is developing potassium salts deposits with a view to starting the production and marketing of potassium fertilisers. The Group has a worldwide presence with direct distribution in Europe, Russia, the CIS, the USA, Mexico and South Asia and its main manufacturing facilities located in the Russia, Belgium and Lithuania.

2 Basis of preparation and significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and derivative financial instruments, which are accounted for at fair value.

These consolidated financial statements should be viewed as a continuation of the consolidated financial statements of EuroChem Group issued by its former parent MCC EuroChem prior to the change in the corporate structure following the re-domiciliation of the corporate headquarters to Zug, Switzerland.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Functional and presentation currency. The functional currency of each of the Group's entities is the currency of the primary economic environment in which the entity operates.

While the Company's functional currency is the US dollar (US$), the functional currency for each of the Group's subsidiaries is determined separately. For Russian subsidiaries, the functional currency is the Russian rouble ("RUB"); the functional currency for most of the Group's subsidiaries located in Europe is the Euro ("EUR"); and, for subsidiaries located in Lithuania the functional currency is the Lithuanian Lita ("LTL") with adoption of the Euro on 1 January 2015 as the official currency.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit and loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recognised in other comprehensive income.

2 Basis of preparation and significant accounting policies (continued)

Foreign exchange gains and losses that relate to bank borrowings, third party loans, intragroup loans and deposits are presented in the consolidated statement of profit or loss and other comprehensive income in a separate line "Financial foreign exchange gain/(loss), net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "Other operating income/(expenses), net".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In the third quarter 2014 the Group changed its presentation currency from the Russian rouble to the US dollar since the management considers the US dollar to be more appropriate for the understanding and comparability of consolidated financial information. These are the first annual consolidated financial statements presented in US dollars. Following the changes in its presentation currency, in this consolidated financial statements the Group presents additional balance sheet as at 1 January 2013 in accordance with IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", however, it need not present the related notes to the opening statement of financial position of the preceding period.

The results and financial position of each of the Group's subsidiaries were translated to the presentation currency as required by IAS 21, "The Effects of Changes in Foreign Exchange Rates":

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historical rate; and

(iv) all resulting exchange differences are recognised as currency translation differences in other comprehensive income.

At 31 December 2014, the official exchange rates were: US$ 1 = RUB 56.2584, US$ 1 = EUR 0.8232 (31 December 2013: US$ 1 = RUB 32.7292, US$ 1 = EUR 0.7278). Average rates for the year ended 31 December 2014 were: US$ 1 = RUB 38.4217, US$ 1 = EUR 0.7561, (2013: US$ 1 = RUB 31.8480, US$ 1= EUR 0.7527).

Due to higher volatility of RUB exchange rate in the fourth quarter 2014 monthly exchange rates were used to translate income and expenses of all subsidiaries with Russian rouble as a functional currency. Average rates for October 2014 was US$ 1 = RUB 40.7710, November 2014 was US$ 1 = RUB 45.9143 and for December 2014 was US$ 1 = RUB 55.5389.

At 5 February 2015 the official exchange rate was US$ 1 = RUB 65.4470, US$ 1 = EUR 0.8721.

Consolidated financial statements. Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

2 Basis of preparation and significant accounting policies (continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Capital reorganisation. Under the 2014 capital reorganisation of the Group (Note 1), the consolidated financial statements of the new holding company (the Company) reflect the predecessor carrying amounts of MCC EuroChem and its subsidiaries. Comparative information of MCC EuroChem and its subsidiaries is presented for each of the periods as if the transfer had occurred at the beginning of the earliest period presented as no substantive economic change has occurred.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Disposals of subsidiaries. When the Group ceases to have control or significant influence, any retained interest is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

Property, plant and equipment. Property, plant and equipment are stated at historical cost, less accumulated depreciation and a provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired. Minor repair and maintenance costs are expensed when incurred.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit and loss.

2 Basis of preparation and significant accounting policies (continued)

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Depreciation. Land as well as assets under construction are not depreciated. Depreciation of other items of property, plant and equipment (other than oil and gas assets) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives from the time they are ready for use:

	Useful lives in years
Buildings and land improvements	15 to 80
Transfer devices	25 to 30
Machinery and equipment	2 to 30
Transport	5 to 25
Other items	1 to 8

Depreciation of oil and gas assets is calculated using the unit-of-production method.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposing of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Development expenditures. Development expenditures incurred by the Group are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditures comprise cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the expenditures in respect of the area of interests are classified in the assets under construction category.

Exploration assets. Exploration and evaluation costs related to an area of interest are written off as incurred except they are carried forward as an asset in the consolidated statement of financial position where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest. Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. In accordance with IFRS 6, "Exploration for and Evaluation of Mineral Resources", exploration assets are measured applying the cost model described in IAS 16, "Property, Plant and Equipment" after initial recognition. Depreciation and amortisation are not calculated for exploration assets because the economic benefits that the assets represent are not consumed until the production phase. Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

2 Basis of preparation and significant accounting policies (continued)

All capitalised exploration and evaluation expenditures are assessed for impairment if facts and circumstances indicate that impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss on a straight-line basis over the period of the lease. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the relevant amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Mineral rights. Mineral rights include rights for evaluation, exploration and production of mineral resources under the licences or agreements. Such assets are carried at cost, amortisation is charged on a straight line basis over the shorter of the valid period of the license or the agreement, or the expected life of mine, starting from the date when production activities commence. The costs directly attributable to acquisition of rights for evaluation, exploration and production are capitalised as a part of the mineral rights. If the reserves related to the mineral rights are not economically viable, the carrying amount of such mineral rights is written off.

Mineral resources. Mineral resources are recognised as assets when acquired as part of a business combination and then depleted using the unit-of-production method for oil and gas assets based on total proved mineral reserves and straight line method for other assets. Estimated proven and probable mineral reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and were determined by independent professional appraisers when acquired as part of a business combination.

Intangible assets. The Group's intangible assets have definite useful lives and primarily include acquired core process technology, distribution agreements, customer relationships, trademarks, capitalised computer software costs and other intangible assets.

These assets are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets with definite useful lives are amortised using the straight-line method over their useful lives:

	Useful lives in years
Land use rights	50
Know-how and production technology	5 – 18
Trademarks	15
Customer relationships	10
Distribution agreement	8
Software licences	5

2 Basis of preparation and significant accounting policies (continued)

The Group tests intangible assets for impairment whenever there are indications that intangible assets may be impaired.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost of disposal.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

2 Basis of preparation and significant accounting policies (continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: a) loans and receivables; b) available-for-sale financial assets; c) financial assets held to maturity and d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets held for trading are classified in this category if acquired principally for the purpose of selling in the short term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The "Held-to-maturity" classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date. At 31 December 2014 and 31 December 2013 the Group did not have any "held to maturity" investments.

All other financial assets are included in the available-for-sale category.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Initial recognition of financial instruments. Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at their trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets. The Group de-recognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2 Basis of preparation and significant accounting policies (continued)

Derivative financial instruments. The Group's derivative financial instruments comprise forwards, options and swap contracts in foreign exchange and securities. Derivative financial instruments, including forward rate agreements, options and interest rate swaps, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss.

The Group has no derivatives accounted for as hedges.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Trading investments. Trading investments are carried at fair value. Interest earned on trading investments calculated using the effective interest method is presented as finance income in profit or loss for the year. Dividends are included in finance income when the Group's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading investments in the period in which they arise.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

2 Basis of preparation and significant accounting policies (continued)

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the reporting date for each country where the Group subsidiaries are registered. The income tax expense comprises current tax and deferred tax and is recognised in the profit and loss unless it relates to transactions that are recognised in other comprehensive income or directly in equity.

The Group companies are subject to tax rates depending on the country of domicile (Note 32).

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not be reversed through dividends or upon disposal in the foreseeable future.

2 Basis of preparation and significant accounting policies (continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in associates and joint arrangements except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned on the weighted-average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

2 Basis of preparation and significant accounting policies (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows, in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Term deposits for longer than three months that are repayable on demand within one working day without penalties or that can be redeemed/withdrawn, subject to the interest income being forfeited, are classified as cash equivalents if the deposit is held to meet short term cash needs and there is no significant risk of a change in value as a result of an early withdrawal. Other term deposits are included into fixed-term deposits.

Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in non-current assets in the consolidated statement of financial position.

2 Basis of preparation and significant accounting policies (continued)

Fixed-term deposits. Fixed-term deposits are deposits held with banks and have various original maturities and can be withdrawn with early notification and/or with penalty accrued or interest income forfeited. They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the consolidated statement of changes in equity as a share premium.

Capital contribution. The capital contribution received from shareholder which does not require repayment, or for which the Group will be able to avoid any payments is classified as component of the equity and recorded as a separate reserve in the consolidated statement of changes in equity.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared and approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Management periodically reviews the recoverability of VAT receivables and believes the amount reflected in the consolidated financial statements is fully recoverable within one year.

Borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost using the effective interest method.

Trade and other payables. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Investment grants. Investment grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Investment grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit and loss on a straight-line basis over the expected lives of the related assets.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Asset retirement obligations. The Group's mining, extraction and processing activities are subject to requirements under federal, state and local environmental regulations which result in asset retirement obligations. Such retirement obligations include restoration costs primarily relating to mining and drilling operations, decommissioning of underground and surfacing operating facilities.

2 Basis of preparation and significant accounting policies (continued)

The estimated future land restoration costs, discounted to net present value, are capitalised in respective items of property, plant and equipment either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Corresponding obligations are raised when the constructive obligation to incur such costs arises and these costs could be reliably estimated. Additional items of property, plant and equipment are amortised on a straight-line basis over the useful life of the corresponding asset. The unwinding of the obligation is recognised in profit and loss as part of other financial gain/loss.

Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for land restoration and asset to which it relates. The Group reassesses its estimation of land restoration provision as at the end of each reporting period. Ongoing restoration costs are recognised as expenses when incurred.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues from sales of services are recognised in the period the services are provided, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales are shown net of VAT and other sales taxes.

Revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services, etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

EuroChem Antwerpen NV and EuroChem Agro operate defined benefit pension plans, which represent an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Remeasurements of post-employment benefit obligations are recognised in other comprehensive income. The defined pension obligation of the Group is not material.

Earnings per share. Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Segment reporting. A segment is a distinguishable component of the Group that is engaged in providing products or services (operating segment). Segments whose sales or results are ten percent or more of all the segments are reported separately. Segment reporting is prepared in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Changes in presentation. Starting from 1 January 2014, certain changes have been applied to the presentation of the notes:

- Segment results of EuroChem Agro companies' (distribution network) are reallocated from Nitrogen and Other segments to the Distribution segment (Note 8).
- Sales are presented by product groups with indication of sales volumes (Note 26).
- The cost of sales line "Materials and components used or resold" is divided into the lines "Raw materials", "Other materials" and "Goods for resale" (Note 27).
- After the capital reorganisation of the Group (Note 1), comparative information about earnings per share has been recalculated (Note 33).

The comparative figures are presented and reallocated respectively to reflect these changes.

3 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Taxation. Judgments are required in determining current income tax liabilities (Note 32). The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax asset recognition. The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances (Note 32).

Deferred income tax on post-acquisition retained earnings of subsidiaries. Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Land. Certain industrial premises of the Group's subsidiary LLC EuroChem Terminal Ust-Luga are located on land occupied under a short-term lease. The management believes that no losses will be sustained by the Group due to the short-term nature of the land lease since it will be able to either purchase the land or to secure its use via a long-term lease agreement in due course.

Related party transactions. The Group enters into transactions with related parties in the normal course of business. These transactions are priced predominantly at market rates. Judgement is applied in determining whether transactions are priced at market or non-market rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective from 1 January 2014:

- IFRIC 21 – Levies (issued on 20 May 2013 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014);
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period);
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning on or after 1 January 2014).

4 Adoption of new or revised standards and interpretations (continued)

Unless otherwise described above, these standards, amendments to standards and interpretations did not have any impact or did not have a material impact on these consolidated financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2014, and have not been early adopted by the Group:

- IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 effective for annual periods beginning on or after 1 January 2018). The Group is currently assessing the impact of the standard on its consolidated financial statements;

- Amendments to IAS 19 – Defined benefit plans: Employee contribution (issued in November 2013, effective for annual periods beginning on or after 1 July 2014);

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016);

- Improvements to International Financial Reporting Standards 2012 and 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014);

- Amendments to IFRS 11 – Accounting for Acquisitions of interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016);

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016);

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The Group is currently assessing the impact of the standard on its consolidated financial statements;

- Amendments to IAS 16 and IAS 41, Agriculture: Bearer plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016);

- Amendments to IAS 27, Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016);

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016);

- Annual Improvements to IFRS 5, IFRS 7, IAS 19, IAS 34 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016);

- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

Unless otherwise described above, the new standards, amendments to standards and interpretations are not expected to have any impact or to have a material impact on the Group's consolidated financial statements.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

5 Statement of cash flows

In managing the business, management focuses on a number of cash flow measures including "gross cash flow" and "free cash flow". Gross cash flow refers to the operating profit after income tax and adjusted for items which are not of a cash nature, which have been charged or credited to the profit and loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities. The gross cash inflow for the year ended 31 December 2014 was US$ 1,508,655 thousand (2013: inflow of US$ 1,119,792 thousand).

Free cash flows are the cash flows available to the debt or equity holders of the business. The free cash outflow for the year ended 31 December 2014 was US$ 320,103 thousand (2013: inflow of US$ 129,524 thousand).

Since these terms are not standard IFRS measures EuroChem Group's definition of gross cash flow and free cash flow may differ from that of other companies.

6 Principal subsidiaries, associates and joint ventures

The Group had the following principal subsidiaries, associates and joint ventures as at 31 December 2014:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Eurochem Group AG	Holding company	-	-	Switzerland
Subsidiaries:				
Phosphorit Industrial Group, LLC	Manufacturing	100%	100%	Russia
Novomoskovskiy Azot, JSC	Manufacturing	100%	100%	Russia
Novomoskovskiy Chlor, LLC	Manufacturing	100%	100%	Russia
Nevinnomysskiy Azot, JSC	Manufacturing	100%	100%	Russia
EuroChem-Belorechenskie Minudobrenia, LLC	Manufacturing	100%	100%	Russia
Kovdorskiy GOK, JSC	Mining	100%	100%	Russia
Lifosa AB	Manufacturing	100%	100%	Lithuania
Severneft-Urengoy, LLC	Gas extraction	100%	100%	Russia
EuroChem Antwerpen NV	Manufacturing	100%	100%	Belgium
EuroChem-VolgaKaliy, LLC	Potash project under development	100%	100%	Russia
EuroChem-Usolsky potash complex, LLC	Potash project under development	100%	100%	Russia
EuroChem-Fertilizers, LLP	Phosphate project under development	100%	100%	Kazakhstan
Sary-Tas Fertilizers, LLP	Other service	85.79%	85.79%	Kazakhstan
EuroChem Karatau, LLP	Other service	100%	100%	Kazakhstan
EuroChem Trading GmbH	Trading	100%	100%	Switzerland
EuroChem Trading USA Ltd	Trading	100%	100%	USA
EuroChem Agro SAS	Distribution	100%	100%	France
EuroChem Agro Asia Pte. Ltd	Distribution	100%	100%	Singapore
EuroChem Agro Iberia	Distribution	100%	100%	Spain
EuroChem Agricultural Trading Hellas SA	Distribution	100%	100%	Greece
EuroChem Agro Spa	Distribution	100%	100%	Italy
EuroChem Agro GmbH	Distribution	100%	100%	Germany
EuroChem Agro Mexico SA de CV	Distribution	100%	100%	Mexico
EuroChem Agro Fertilizer Trade LLP	Distribution	100%	100%	Turkey
EuroChem Comercio de Produtos Quimicos Ltda	Distribution	100%	100%	Brasil
EuroChem Agro Trading (Shenzhen) Co., Ltd	Distribution	100%	100%	China
AgroCenter EuroChem-Volgograd, LLC	Distribution	100%	100%	Russia

(all amounts are presented in thousands of US dollars, unless otherwise stated)

6 Principal subsidiaries, associates and joint ventures (continued)

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
AgroCenter EuroChem-Krasnodar, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Lipetsk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Orel, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Novomoskovsk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Nevinnomyssk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Ukraine, LLC	Distribution	100%	100%	Ukraine
Ural-RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Kingisepp RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Kovdor RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Novomoskovsk RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Nevinnomyssk RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Volgograd RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Tulagiprokhem, LLC	Design engineering	100%	100%	Russia
Harvester Shipmanagement Ltd	Logistics	100%	100%	Cyprus
Eurochem Logistics International, UAB	Logistics	100%	100%	Lithuania
EuroChem Terminal Sillamäe Aktsiaselts	Logistics	100%	100%	Estonia
EuroChem Terminal Ust-Luga, LLC	Logistics	100%	100%	Russia
Tuapse Bulk Cargo Terminal, LLC	Logistics	100%	100%	Russia
Murmanskiy Bulk Cargo Terminal, LLC	Logistics	100%	100%	Russia
Depot-EuroChem, LLC	Logistics	100%	100%	Russia
EuroChem-Energo, LLC	Other service	100%	100%	Russia
EuroChem Usolsky Mining S.à r.l.	Finance	100%	100%	Luxemburg
EuroChem International Holding B.V.	Holding company	100%	100%	Netherlands
EuroChem A.M. Ltd	Finance	100%	100%	Cyprus
EuroChem Capital Management Ltd	Finance	100%	100%	BVI
MCC EuroChem JSC	Holding company	100%	100%	Russia
Associates:				
Murmansk Commercial Seaport, PJSC	Logistics	36.20%	48.26%	Russia
Astrakhan Oil and Gas Company, OJSC	Gas project under construction	20.1%	20.1%	Russia
Joint venture:				
EuroChem – Migao Ltd	Holding company	50.0%	50.0%	Hong-Kong*

*- represents the country of incorporation of holding company which owns manufacturing facilities located in Yunnan, China.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

7 Fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

a) Financial instruments carried at fair value

The recurring fair value measurements are included into Level 2 of the fair value hierarchy and are as follows:

	31 December 2014	31 December 2013
Financial liabilities		
Current Financial liabilities		
Non-deliverable foreign exchange forward contracts	117,527	-
Cross-currency interest swap	85,986	6,487
Call options on iron ore	-	396
Total current financial liabilities	**203,513**	**6,883**
Non-current Financial liabilities		
Non-deliverable foreign exchange forward contracts	93,146	-
Cross-currency interest swap	87,299	4,350
Total non-current financial liabilities	**180,445**	**4,350**
Total liabilities recurring fair value measurements	**383,958**	**11,233**

	31 December 2014	31 December 2013
Financial assets		
Current Financial assets		
Non-deliverable foreign exchange forward contracts	-	9,991
Deliverable foreign exchange forward contracts	-	139
Total current financial assets		**10,130**
Non-current Financial assets		
Non-deliverable foreign exchange forward contracts	-	32,502
Cross-currency interest swap	-	-
Total non-current financial assets	**-**	**32,502**
Total assets recurring fair value measurements	**-**	**42,632**

For derivative financial instruments at fair value through profit or loss which typically include non-deliverable forward contracts, interest rate swaps, iron ore options etc., the fair values are based on recurring mark-to-market valuations provided by the financial institutions which deal in these financial instruments.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

7 Fair value of financial instruments (continued)

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets and liabilities carried at amortised cost

Loans received and bank borrowings are carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The carrying amounts of trade receivables, trade payables and originated loans approximate their fair values and are included into Level 3 of fair value hierarchy. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2014			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities				
- RUB-denominated bonds payable	168,499	-	-	177,404
- US$-denominated bonds payable	666,923	-	-	748,154
- Long-term RUB-denominated fixed interest loans	-	-	482,259	523,869
- Long-term US$-denominated loan from shareholder	-	-	30,000	30,000
Total liabilities recurring fair value measurements	**835,422**	**-**	**512,259**	**1,479,427**

	31 December 2013			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities				
- RUB -denominated bonds payable	307,157	-	-	304,779
- US$-denominated bonds payable	756,443	-	-	745,764
- RUB -denominated fixed interest loans	-	-	628,113	609,733
Total liabilities recurring fair value measurements	**1,063,600**	**-**	**628,113**	**1,660,276**

The following information sets out the key inputs relevant to the determination of the fair value of the assets and liabilities for which fair value information is provided as a disclosure only.

- For US$ and RUB-denominated bonds traded on organised financial markets, quotations obtained from Moscow Exchange and Irish stock exchange are used as the key inputs to fair value determination. These instruments are included in level 1 of fair value hierarchy.

- The fair value of long-term loans and borrowings bearing a fixed interest rate is determined by a discounted cash flows method. The discount factor applied to principal and interest repayments in the valuation model is calculated as a risk free rate on the reporting date adjusted for the Group's credit risk. The Group's credit risk component in the discount factor at inception is assumed to remain unchanged on the reporting date and is calculated as a difference between the contract interest rate and the risk-free interest rate in effect on loan inception date for debt instruments with similar maturities. These instruments are included in level 3 of fair value hierarchy.

During the year ended 31 December 2014 there were no transfers between levels 1, 2 and 3 in the fair value hierarchy.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

8 Segment information

The Group has four reportable operating segments identified by the management: nitrogen, phosphates, potash, and distribution. The development and approval of strategies, market and risk analysis, the investment focus, technological process changes, and the setting of goals and priorities of the Group are undertaken in line with these segments:

- Nitrogen – the production and sale of nitrogen mineral fertilisers and organic synthesis products and the extraction of hydrocarbons (natural gas and gas condensate) where natural gas is used as the raw material for the production of nitrogen fertilisers and gas condensate is sold;
- Phosphates – the production and sale of phosphate mineral fertilisers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of deposits of potassium salts ("potash") under the licences acquired by the Group for production of potassium fertilisers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilisers (including those not produced by the Group), seeds, crop protection and other items, via a distribution network comprising distribution centers located in Russia, the CIS and sales offices located in Germany, Spain, Italy, Greece, France, Turkey, Mexico, Singapore and China.

The remaining part of the Group represents certain logistics and service activities, central management, investment income and other items.

On a monthly basis, the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among other factors, a measure of profit before taxation adjusted by interest expense, depreciation and amortisation, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

During 2014, the Group has been considering a change in its management and organisational structure to a divisional model. Management anticipates that they will finalise management changes and organisation structuring and will start to report its operating results based on the new divisional organisational structure in 2015.

The segment results for the year ended 31 December 2014 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	1,532,037	1,383,258	2,915,295	866,293
Phosphates	1,134,060	457,708	1,591,768	475,894
Potash	-	-	-	(31,835)
Distribution	2,301,075	14,351	2,315,426	90,411
Other	120,328	819,461	939,789	194,426
Elimination	-	(2,674,778)	(2,674,778)	(82,197)
Total	**5,087,500**	**-**	**5,087,500**	**1,512,992**

The segment results for the year ended 31 December 2013 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	1,811,389	1,197,435	3,008,824	808,458
Phosphates	1,726,195	106,820	1,833,015	435,461
Potash	-	-	-	(24,324)
Distribution	1,822,786	11,648	1,834,434	86,841
Other	195,288	745,081	940,369	47,699
Elimination	-	(2,060,984)	(2,060,984)	(5,141)
Total	**5,555,658**	**-**	**5,555,658**	**1,348,994**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

8 Segment information (continued)

A reconciliation of EBITDA to profit/(loss) before taxation for the year ended 31 December 2014 and 2013 is provided below:

	Note	2014	2013
EBITDA		**1,512,992**	**1,348,994**
Depreciation and amortisation	29	(267,254)	(310,104)
Write-off of idle property, plant and equipment	9, 27, 30	(5,639)	(18,516)
Non-recurring income from settlement agreement	30	50,400	-
Loss on disposal of available-for-sale investments		-	(46,970)
Interest expense		(152,345)	(161,809)
Financial foreign exchange gain/(loss), net		(1,067,225)	(184,997)
Other financial gain/(loss), net	31	(527,718)	(29,663)
Non-controlling interests		(95)	(198)
Profit/(loss) before taxation		**(456,884)**	**596,737**

The segmental capital expenditure on property, plant and equipment, intangible assets and mineral rights for the years ended 31 December 2014 and 31 December 2013 were:

	2014	2013
Nitrogen	340,413	325,908
Phosphates	281,778	270,597
Potash	439,390	387,902
Distribution	4,603	3,310
Other	35,951	35,817
Total capital expenditure	**1,102,135**	**1,023,534**

The analysis of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets by geographical location was:

	31 December 2014	31 December 2013
Russia	3,374,460	4,715,864
Europe	855,107	1,007,053
Kazakhstan	141,520	90,992
Other countries	4,992	32,749
Total	**4,376,079**	**5,846,658**

The main Group's manufacturing facilities are based in the Russian Federation, Lithuania and Belgium.

The analysis of Group sales by region was:

	2014	2013
Europe	1,916,536	1,797,506
Russia	1,023,853	1,046,888
Asia	687,684	989,499
North America	503,861	551,028
Latin America	494,384	510,584
CIS	313,148	447,134
Africa	123,657	157,383
Australasia	24,377	55,636
Total sales	**5,087,500**	**5,555,658**

The sales are allocated to regions based on the destination country. During the year ended 31 December 2014, the Group had sales to Russia representing 20% of total Group revenues (2013: there were sales in excess of 10% to Russia and China, representing 19% and 11% of total Group revenues, respectively).

During the years ended 31 December 2014 and 31 December 2013, there were no sales in excess of 10% to one customer.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

9 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were:

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Cost								
Balance at 1 January 2014	**559,902**	**614,634**	**381,999**	**1,955,009**	**382,787**	**109,447**	**2,118,086**	**6,121,864**
Additions and transfers from assets under construction	71,100	95,674	47,955	310,151	20,630	33,020	579,144	1,157,674
Disposals	(551)	(1,906)	(1,278)	(14,230)	(9,304)	(1,815)	(4,497)	(33,581)
Changes in estimates of asset retirement obligations (Note 24)	-	1,692	-	-	-	-	-	1,692
Disposal of property, plant and equipment related to sale of subsidiaries	-	-	-	-	(28,171)	-	-	(28,171)
Write-off of idle property, plant and equipment	(371)	(852)	(1,059)	(897)	(1,546)	(1,053)	(3,921)	(9,699)
Currency translation difference	(224,613)	(267,197)	(159,706)	(775,828)	(147,192)	(51,864)	(1,039,708)	(2,666,108)
Balance at 31 December 2014	**405,467**	**442,045**	**267,911**	**1,474,205**	**217,204**	**87,735**	**1,649,104**	**4,543,671**
Accumulated Depreciation								
Balance at 1 January 2014	**(153,164)**	**(114,394)**	**(131,647)**	**(833,727)**	**(159,984)**	**(58,167)**	**-**	**(1,451,083)**
Charge for the year	(21,050)	(26,313)	(23,681)	(155,245)	(23,681)	(13,157)	-	(263,127)
Disposals	401	1,422	1,151	13,034	8,445	1,490	-	25,943
Disposal of property, plant and equipment related to sale of subsidiaries	-	-	-	-	4,544	-	-	4,544
Write-off of idle property, plant and equipment	481	228	647	1,142	1,342	220	-	4,060
Currency translation difference	60,728	49,545	56,360	341,195	67,301	26,483	-	601,612
Balance at 31 December 2014	**(112,604)**	**(89,512)**	**(97,170)**	**(633,601)**	**(102,033)**	**(43,131)**	**-**	**(1,078,051)**
Net Carrying Value								
Balance at 1 January 2014	**406,738**	**500,240**	**250,352**	**1,121,282**	**222,803**	**51,280**	**2,118,086**	**4,670,781**
Balance at 31 December 2014	**292,863**	**352,533**	**170,741**	**840,604**	**115,171**	**44,604**	**1,649,104**	**3,465,620**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

9 Property, plant and equipment (continued)

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Cost								
Balance at 1 January 2013	**531,226**	**565,574**	**377,749**	**1,859,781**	**388,579**	**99,466**	**1,634,475**	**5,456,850**
Additions and transfers from assets under construction	62,472	98,113	30,976	211,173	28,729	20,168	627,242	1,078,873
Disposals	(576)	(4,453)	(1,449)	(13,016)	(8,797)	(2,261)	(1,569)	(32,121)
Changes in estimates of asset retirement obligations (Note 24)	-	(4,722)	-	-	-	-	-	(4,722)
Write-off of idle property, plant and equipment	(3,493)	(2,488)	(2,149)	(8,107)	(590)	(1,065)	(10,270)	(28,162)
Currency translation difference	(29,727)	(37,390)	(23,128)	(94,822)	(25,134)	(6,861)	(131,792)	(348,854)
Balance at 31 December 2013	**559,902**	**614,634**	**381,999**	**1,955,009**	**382,787**	**109,447**	**2,118,086**	**6,121,864**
Accumulated Depreciation								
Balance at 1 January 2013	**(134,732)**	**(92,494)**	**(115,864)**	**(705,617)**	**(150,055)**	**(50,383)**	**-**	**(1,249,145)**
Charge for the year	(28,482)	(28,302)	(25,394)	(185,539)	(27,979)	(14,135)	-	(309,831)
Disposals	484	950	1,234	10,940	7,098	1,966	-	22,672
Write-off of idle property, plant and equipment	1,792	346	967	5,298	348	895	-	9,646
Currency translation difference	7,774	5,106	7,410	41,191	10,604	3,490	-	75,575
Balance at 31 December 2013	**(153,164)**	**(114,394)**	**(131,647)**	**(833,727)**	**(159,984)**	**(58,167)**	**-**	**(1,451,083)**
Net Carrying Value								
Balance at 1 January 2013	**396,494**	**473,080**	**261,885**	**1,154,164**	**238,524**	**49,083**	**1,634,475**	**4,207,705**
Balance at 31 December 2013	**406,738**	**500,240**	**250,352**	**1,121,282**	**222,803**	**51,280**	**2,118,086**	**4,670,781**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

9 Property, plant and equipment (continued)

The analysis of the Group's assets under construction, which are included in property, plant and equipment, is as follows:

	31 December 2014	31 December 2013
Construction in progress	1,516,059	1,916,896
Advances given to construction companies and suppliers of property, plant and equipment	125,478	191,802
Evaluation expenses	7,567	9,388
Total assets under construction	**1,649,104**	**2,118,086**

Idle property, plant and equipment write-off

During the year ended 31 December 2014, the Group decided to write off certain production equipment with the cost and accumulated depreciation of US$ 9,699 thousand and US$ 4,060 thousand, respectively (2013: cost of US$ 28,162 thousand and accumulated depreciation of US$ 9,646 thousand) and recognised a loss of US$ 5,639 thousand in these consolidated financial statements (2013: US$ 18,516 thousand) (Note 27, 30).

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 31 December 2014, the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of US$ 7,567 thousand, including borrowing costs capitalised of US$ 760 thousand (31 December 2013: US$ 9,388 thousand, including borrowing costs capitalised of US$ 623 thousand). These expenses were recognised in property, plant and equipment. In most cases, these expenses were paid in the period when the services were provided.

Borrowing costs capitalised

During the year ended 31 December 2014, borrowing costs totalling US$ 34,152 thousand (2013: US$ 16,894 thousand) were capitalised in property, plant and equipment at an average interest rate of 4.73% p.a. (2013: 5.05% p.a.).

Operating leases

As at 31 December 2014, the land plots under the main production facilities were owned by the Group. Also, several Group subsidiaries occupied the land under non-cancellable operating lease agreements, for which the future minimum payments are as follows:

	31 December 2014	31 December 2013
Shorter than 1 year	3,553	6,119
Between 1 and 5 years	13,342	23,411
Longer than 5 years	104,462	174,739
Total payments	**121,357**	**204,269**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

10 Mineral rights

	31 December 2014	31 December 2013
Rights for exploration and production:		
Verkhnekamskoe potash deposit	72,650	124,878
Gremyachinskoe potash deposit	53,641	92,205
Kok-Jon and Gimmelfarbskoe phosphate deposits	29,213	35,758
Kovdorsky apatite deposits	2,960	5,089
Rights for exploration, evaluation and extraction:		
Belopashninskiy potash deposit	15,733	-
Ozinsky hydrocarbon deposit	4,383	-
Zapadno-Perelyubskiy potash deposit	534	917
Perelyubsko-Rubezhinskiy hydrocarbon deposit	392	675
Vostochno-Perelyubskiy potash deposit	416	715
Rights for proven and unproven mineral resources:		
Zapadno-Yaroyakhinsky hydrocarbon deposit	118,449	206,534
Total mineral rights	**298,371**	**466,771**

Rights for exploration and production

Verknekamskoe and Gremyachinskoe potash deposits

In accordance with the conditions of licence agreements and related licence amendments for developing the potash deposits, the Group has major commitments.

The licence terms in respect of the timing of Verkhnekamskoe potash deposit were renegotiated in 2014 allowing the Group some flexibility as to timing of first extraction as the amended terms state it is subject to 'Project Documentation'. The Group is in compliance with the new terms and will continue on this basis without requiring further licence revision. Before revision in 2014, the licence agreement required potash salt (first ore) extraction at the Verkhnekamskoe potash deposit by 15 October 2015.

The licence terms in respect of the timing of Gremyachinskoe potash deposit were renegotiated in 2014 requiring potash extraction (first ore) no later than the end of November 2017. Before revision in 2014, the licence required potash salt extraction at the Gremyachinskoe potash deposit by 1 November 2014.

The Group has started construction of the mining and surface facilities at both sites.

Management believes that each stage under the current licence terms for both of the Verkhnekamskoe and the Gremyachinskoe potash deposits development will be completed according to the revised and approved schedules.

As at 31 December 2014 both of the Verkhnekamskoe and Gremyachinskoe potash deposits were in the development phase with the shafts sinking completed for the first two shafts at Verkhnekamskoe and all three shafts are progressing with shaft sinking at Gremyachinskoe.

Kok-Jon and Gimmelfarbskoe phosphate deposits. In 2013 the Group started the development of the Kok-Jon phosphate rock deposit in Kazakhstan's Zhambyl region and in July 2014 the production of the phosphate ore was launched. The project continues on schedule with the planned increase of the production capacity.

As at 31 December 2014, the Group is in compliance with terms of the contract signed with the authorities of the Republic of Kazakhstan.

Rights for exploration, evaluation and extraction

As of 31 December 2014 all other deposits under licences for the exploration, evaluation and extraction were in the exploration phase.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

10 Mineral rights (continued)

Belopashninskiy potash deposit. In July 2014, the Group acquired mineral rights for exploration and production at Belopashninskiy potash deposit. The area of the deposit is adjacent to Verkhnekamskoe potash deposit where the Group is developing the mine. The close proximity of two deposits will allow the Group's to more efficiently utilise its resources.As at 31 December 2014 the Group is in the process of preparing its Exploration Plan for this deposit which will be submitted to the licence authorities in 2015 for their review and approval in order to remain in compliance with the licence terms of this new deposit.

Ozinsky hydrocarbon deposit. In March 2014, the Group acquired mineral rights for exploration, evaluation and extraction at Ozinsky hydrocarbon deposit in Saratov region of Russian Federation.

Under the terms of valid licences for the exploration and development of mineral resource deposits, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of the construction of mining facilities and commencement of the extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the licence agreements there are circumstances whereby the licences can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licences.

11 Goodwill

Movements in goodwill arising from the acquisition of subsidiaries are:

	2014	2013
Carrying amount at 1 January	**387,335**	**374,405**
Currency translation difference	(47,607)	12,930
Carrying amount at 31 December	**339,728**	**387,335**

Goodwill impairment test

Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment, as follows:

	31 December 2014	31 December 2013
EuroChem Antwerpen NV	313,365	354,431
EuroChem Agro	21,115	23,882
Other	5,248	9,022
Total carrying amount of goodwill	**339,728**	**387,335**

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on development strategy and financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Management determined budgeted prices and expenses based on past performance and market expectations. The weighted average growth rate used is consistent with the forecasts included in industry reports.

Assumptions used for value-in-use calculations are listed below:

	31 December 2014	31 December 2013
Adjusted US$ WACC rates	9.0%	8.8%
Long-term annual inflation rate	0.9%-1.4%	1.6% - 2.0%
Estimated nominal growth rate beyond the five-year period	2.0%	2.0%

The Group did not recognise any goodwill impairment at 31 December 2014 and 31 December 2013.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

12 Intangible assets

Movements in the carrying amount of intangible assets were:

	Know-how and production technology	Customer relation-ships	Acquired software and licences	Other	Total
Cost at 1 January 2013	**112,287**	**84,276**	**37,785**	**44,161**	**278,509**
Accumulated amortisation	**(9,581)**	**(2,738)**	**(19,127)**	**(9,168)**	**(40,614)**
Carrying amount at 1 January 2013	**102,706**	**81,538**	**18,658**	**34,993**	**237,895**
Additions	-	-	3,481	260	3,741
Disposals:					
Cost	-	-	-	(185)	(185)
Accumulated amortisation	-	-	-	14	14
Amortisation charge	(13,434)	(5,790)	(9,689)	(4,858)	(33,771)
Currency translation difference					
Cost	4,095	2,882	82	(1,186)	5,873
Accumulated amortisation	(716)	(1)	337	679	299
Cost at 31 December 2013	**116,382**	**87,158**	**41,348**	**43,050**	**287,938**
Accumulated amortisation	**(23,731)**	**(8,529)**	**(28,479)**	**(13,333)**	**(74,072)**
Carrying amount at 31 December 2013	**92,651**	**78,629**	**12,869**	**29,717**	**213,866**
Additions	-	-	1,473	817	2,290
Disposals:					
Cost	-	-	-	(8)	(8)
Accumulated amortisation	-	-	-	5	5
Amortisation charge	(13,763)	(5,468)	(9,087)	(2,345)	(30,663)
Currency translation difference:					
Cost	(13,336)	(9,530)	(8,935)	(12,133)	(43,934)
Accumulated amortisation	3,724	948	7,863	5,604	18,139
Cost at 31 December 2014	**103,046**	**77,628**	**33,886**	**31,726**	**246,286**
Accumulated amortisation	**(33,770)**	**(13,049)**	**(29,703)**	**(10,069)**	**(86,591)**
Carrying amount at 31 December 2014	**69,276**	**64,579**	**4,183**	**21,657**	**159,695**

13 Investment in associates and joint venture

As at 31 December 2014 and 2013, the Group's investments in associates and joint venture were as follows:

	31 December 2014	31 December 2013
Investment in associate PJSC "Murmansk Commercial Seaport"	75,772	107,905
Investment in associate OJSC "Astrakhan Oil and Gas Company"	23,785	-
Investment in joint venture "EuroChem-Migao Ltd"	13,108	-
Total investments in associates and joint venture	**112,665**	**107,905**

Movements in the carrying amount of the Group's investment in associates and joint venture were:

	2014	2013
Carrying amount at 1 January	107,905	-
Acquisition of interest in associates	37,500	101,925
Contribution of funds to a joint venture	18,000	-
Share of profit from associates	19,031	11,904
Currency translation difference	(69,771)	(5,924)
Carrying amount at 31 December	**112,665**	**107,905**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

13 Investment in associates and joint venture (continued)

Reconciliation of the summarised financial information presented to the carrying amount of Group's interest in associates and joint ventures as at 31 December 2014:

	PJSC "Murmansk Commercial Seaport"	OJSC "Astrakhan Oil and Gas Company"	EuroChem-Migao Ltd.
Opening net assets 1 January 2014	**107,905**	-	-
Net assets at acquisition date	-	186,562	36,000
Profit for the period	43,394	-	-
Accrued dividends on preference shares for the period*	(3,960)	-	-
Currency translation difference arising on consolidation	(36,770)	(68,232)	(9,785)
Closing net assets at 31 December 2014	**110,569**	**118,330**	**26,215**
Interest, %	48.26%	20.10%	50.00%
Interest in associates and joint venture	53,360	23,785	13,108
Goodwill	22,412	-	-
Carrying value at 31 December 2014	**75,772**	**23,785**	**13,108**

* - represents theoretical dividends on preference shares, determined as 10% of net statutory profit for the reporting period.

Investment in associate PJSC "Murmansk Commercial Seaport"

The aggregated assets, liabilities, revenues and results of associate as at 31 December 2014 are as follows:

Current assets	79,497
Non-current assets	73,294
Current liabilities	(9,152)
Non-current liabilities	(33,070)
Net assets	**110,569**
Sales for the year ended 31 December 2014	135,765
Net profit for the year ended 31 December 2014	43,394

Investment in associate OJSC "Astrakhan Oil and Gas Company"

In February 2014, the Group acquired 20.1% of the issued capital of OJSC "Astrakhan Oil and Gas Company" located in Astrakhan region of Russian Federation for US$ 37,500 thousand paid in cash.

The Group is performing the valuation of the fair value of the associate's identifiable assets and liabilities and intends to finalise the fair value measurement within 12 months of the acquisition date.

Investment in joint venture

In November 2013 the Group signed a joint agreement with H.K. Migao Industry Limited to set up a joint venture named "EuroChem – Migao Ltd" and located in Hong Kong. "EuroChem – Migao Ltd" was incorporated in February 2014 and following the statutory approval granted by local authorities the company acquired 100% interest in "Yunnan Migao Fertilizer Co. Ltd", the plant manufacturing potassium nitrate and complex fertilisers in China. In 2014, the Group made a contribution into a joint venture of US$ 18,000 thousand.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

14 Inventories

	31 December 2014	31 December 2013
Finished goods	260,585	293,037
Materials	181,155	233,817
Catalysts	73,076	101,806
Work in progress	48,107	74,225
Less: write-off obsolete and damaged inventories	(7,274)	(10,208)
Total inventories	**555,649**	**692,677**

15 Trade receivables, prepayments, other receivables and other current assets

	31 December 2014	31 December 2013
Trade receivables		
Trade receivables denominated in US$	130,054	125,826
Trade receivables denominated in RUB	23,838	56,490
Trade receivables denominated in EUR	184,947	161,639
Trade receivables denominated in other currencies	5,159	27,179
Less: impairment provision	(4,142)	(7,695)
Total trade receivables – financial assets	**339,856**	**363,439**
Prepayments, other receivables and other current assets		
Advances to suppliers	61,173	90,124
VAT recoverable and receivable	154,591	139,863
Other taxes receivable	1,891	11,141
Other receivables	11,014	19,070
Less: impairment provision	(5,852)	(6,588)
Subtotal non-financial assets	**222817**	**253,610**
Other receivables	30,212	6,536
Collateral held by banks to secure derivative transactions	1,771	-
Interest receivable	5,136	964
Subtotal financial assets	**37119**	**7,500**
Total prepayments, other receivables and other current assets	**259,936**	**261,110**
Total trade receivables, prepayments, other receivables and other current assets	**599,792**	**624,549**
including		
Financial assets	376,975	370,939
Non-financial assets	222,817	253,610

Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts.

As at 31 December 2014, trade receivables, prepayments, other receivables and other current assets of US$ 9,994 thousand (31 December 2013: US$ 14,281 thousand) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to counterparties which are facing significant financial difficulties. The ageing of these receivables is as follows:

	31 December 2014	31 December 2013
Less than 3 months	23	1,298
From 3 to 12 months	2,960	2,133
Over 12 months	7,011	10,852
Total gross amount of impaired trade receivables, prepayments, other receivables and other current assets	**9,994**	**14,283**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

15 Trade receivables, prepayments, other receivables and other current assets (continued)

As at 31 December 2014, trade receivables of US$ 32,644 thousand (31 December 2013: US$ 39,163 thousand) were past due but not impaired; of this amount US$ 27,802 thousand (31 December 2013: US$ 22,446 thousand) were covered either by credit insurance, bank guarantees or backed by solid ratings from independent rating agencies. The ageing analysis of these trade receivables from past due date is:

	31 December 2014	31 December 2013
Less than 3 months	29,770	31,188
From 3 to 12 months	2,874	8,826
Over 12 months	-	1,014
Trade accounts receivable past due not impaired	**32,644**	**41,028**

For the analysis of credit quality of trade receivables pleace refer to Note 36.

The movements in the provision for impairment of accounts receivable are:

	2014		2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As at 1 January	**7,695**	**6,588**	**9,875**	**7,245**
Provision charged	10,762	5,068	2,339	3,118
Provision used	(3,122)	(1,032)	(3,371)	(2,543)
Provision reversed	(8,777)	(467)	(982)	(831)
Foreign exchange (gain)/loss, net	647	246	503	117
Currency translation difference	(3,063)	(4,551)	(669)	(518)
Total provision for impairment of accounts receivable as at 31 December	**4,142**	**5,852**	**7,695**	**6,588**

16 Originated loans

	Note	31 December 2014	31 December 2013
Current originated loans			
Unsecured US$-denominated loan to the partner of the Hong Kong joint venture, fixed interest rate 6.5% p.a.		3,000	3,000
Unsecured US$-denominated loan to parent company, fixed interest rate 5.5% p.a.	34	21,800	-
Unsecured RUB-denominated loans to associate, interest rate ranging from 8.0% to 19.2% p.a.	34	4,602	-
Total current originated loans		**29,402**	**3,000**
Non-current originated loans			
Unsecured US$-denominated loans to related party which is entity under common control with Group, interest rates ranging from 1.57% to 2.62% p.a.	34	13,170	12,700
Secured US$-denominated loans to related parties which are the entities under common control with the Group, interest rates ranging from 6.7% to 8.0% p.a.	34	27,000	-
Total non-current originated loans		**40,170**	**12,700**
Total originated loans		**69,572**	**15,700**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

16 Originated loans (continued)

Movements in Group's originated loans during years ended 31 December 2014 and 31 December 2013 were as follows:

	Note	2014	2013
Balance as at 1 January		**15,700**	**-**
Originated loan recognised from sale of K+S Group shares to parent company		-	39,504
Originated loans to parent company	34	21,800	20,000
Originated loans to associate		6,357	-
Originated loans to other related party	34	470	12,700
Originated loan to JV partner		-	3,000
Repayment of originated loans to parent company		-	(63,779)
Reclassification of intragroup loans provided to subsidiaries before disposal	34	27,000	-
Foreign exchange gain/(loss), net		19,915	1,629
Currency translation differences		(21,670)	2,646
Balance as at 31 December		**69,572**	**15,700**

In July 2014, the Group sold two subsidiaries, engaged in shipping operations (Note 34) and reclassified the intragroup loans provided to these subsidiaries before disposal amounting to US$ 27,000 thousand to non-current originated loans. These loans are secured with two vessels owned by the disposed subsidiaries.

17 Cash and cash equivalents, fixed-term deposits and restricted cash

	31 December 2014	31 December 2013
Cash on hand*	43	69
Bank balances denominated in US$	147,553	178,131
Bank balances denominated in in RUB	22,464	19,382
Bank balances denominated in EUR	93,668	216,686
Bank balances denominated in other currencies	19,107	13,095
Term deposits denominated in US$	24,388	35,211
Term deposits denominated in RUB	36,676	30,123
Term deposits denominated in EUR	18,884	1,635
Term deposits denominated in other currencies	635	11,406
Total cash and cash equivalents	**363,418**	**505,738**
Fixed-term deposits in US$	4,378	2,826
Fixed-term deposits in RUB	6,028	71,545
Fixed-term deposits in EUR	-	234
Fixed-term deposits in other currencies	3,034	-
Total fixed-term deposits	**13,440**	**74,605**
Non-current restricted cash	10,125	2,706
Total restricted cash	**10,125**	**2,706**

* Includes cash on hand denominated in different currencies.

Term deposits at 31 December 2014 and 31 December 2013 are held to meet short term cash needs and have various original maturities but can be withdrawn on request without any restrictions.

Fixed-term deposits have various original maturities and can be withdrawn with an early notification and/or with a penalty accrued or interest income forfeited.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

17 Cash and cash equivalents, fixed-term deposits and restricted cash (continued)

No bank balances, term and fixed-term deposits are past due or impaired. The analysis of the credit quality of bank balances, term and fixed-term deposits are as follows*:

	31 December 2014	31 December 2013
A to AAA rated	250,753	442,874
BB- to BBB+ rated	109,523	121,674
B- to B+ rated	6,873	17,278
C to CCC rated	19,741	-
Unrated	50	1,154
Total**	**386,940**	**582,980**

* Based on the credit ratings of independent rating agencies Standard & Poor's and Fitch Ratings as at 15 January 2015.

** The rest of the statement of financial position item 'cash and cash equivalents' is cash on hand.

At 31 December 2014, non-current restricted cash consisted of US$ 7,627 thousand held in a debt service reserve account as required by the Project Finance Facility Agreement (Note 20) and US$ 2,498 thousand held in bank accounts as security deposits for third parties (31 December 2013: US$ 2,706 thousand held in bank accounts as security deposits for third parties).

18 Equity

Share capital. As described in Note 1, the Company was incorporated on 16 July 2014. As at 31 December 2014, the nominal registered amount of the Company's issued share capital in Swiss francs (CHF) was CHF 100 thousand (US$ 111 thousand). The total authorised number of ordinary shares is 1,000 shares with a par value of CHF 100 (US$ 111) per share. All authorised shares have been issued and fully paid.

Other reserves. At 31 December 2014, other reserves of the Company included cash contribution of US$ 5,000 thousand from EuroChem Group SE (Note 34).

After the capital reorganisation of the Group (Note 1), all components of equity related to MCC EuroChem, the former parent company, have been appropriately accumulated in "Equity not owned directly by the Company" category in the consolidated statement of changes in equity. This category was subsequently reallocated to all other relevant items within the consolidated statement of changes in equity in line with the capital structure of the new Group.

Dividends. During 2014 and 2013 the Group did not declare or pay dividends.

19 Bank borrowings and other loans received

	Currency	Fixed or Floating rate	Interest rate 2014*	Interest rate 2013*	31 December 2014	31 December 2013
Current loans and borrowings						
Short-term unsecured bank loans	US$	Floating	2.49%-3.14%	2.88%	286,996	30,000
Current portion of unsecured long-term loans	US$	Floating	2.04%	2.54%-3.66%	200,000	148,573
Current portion of unsecured long-term loans	RUB	Fixed	8.20%	8.20%	177,751	76,384
Current portion of unsecured long-term loans	EUR	Floating	-	2.33%	-	4,935
Less: short-term portion of transaction costs loans and borrowings					(2,718)	(4,134)
Total current loans and borrowings					**662,029**	**255,758**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

19 Bank borrowings and other loans received (continued)

	Currency	Fixed or Floating rate	Interest rate 2014*	Interest rate 2013*	31 December 2014	31 December 2013
Non-current bank borrowings						
Long-term loan from shareholder	US$	Fixed	5.0%-5.5%	-	30,000	-
Long-term portion of unsecured bank loans	US$	Floating	2.04%	2.04%-3.66%	1,100,000	1,469,634
Long-term portion of unsecured bank loans	RUB	Fixed	8.2%-12.25%	8.2%	346,615	534,691
Long-term portion of unsecured bank loans	EUR	Floating	-	2.33%	-	41,947
Less: long-term portion of transaction costs loans and borrowings					(6,496)	(40,365)
Total non-current loans and borrowings					**1,470,119**	**2,005,907**
Total loans and borrowings					**2,132,148**	**2,261,665**

* effective interest rate on the reporting date.

Movements in Group's bank borrowings and other loans received during year ended 31 December 2014 and 31 December 2013 were as follows:

	2014	2013
Balance as at 1 January	**2,261,665**	**2,185,330**
Reclassification from capital contribution	50,000	-
Bank loans received, denominated in US$	937,996	2,348,262
Bank loans received, denominated in RUB	770,754	-
Bank loans received, denominated in Ukrainian Hryvna	4,339	19,180
Loan received from shareholder, denominated in US$	63,000	-
Bank loans repaid, denominated in US$	(999,207)	(2,225,424)
Bank loans repaid, denominated in RUB	(507,345)	-
Bank loans repaid, denominated in EUR	(45,152)	(22,267)
Loan repaid to shareholder, denominated in US$	(83,000)	-
Bank loans repaid, denominated in Ukrainian Hryvna	(4,308)	(18,890)
Capitalisation and amortisation of transaction costs, net	24,413	18,844
Foreign exchange (gain)/loss, net	1,119,535	132,011
Currency translation differences, net	(1,460,542)	(175,381)
Balance as at 31 December	**2,132,148**	**2,261,665**

The Group's bank borrowings and other loans received mature:

	31 December 2014	31 December 2013
- within 1 year	662,029	255,758
- between 1 and 2 years	530,736	610,189
- between 2 and 5 years	939,383	1,358,264
- more than 5 years	-	37,454
Total bank borrowings and other loans received	**2,132,148**	**2,261,665**

At 31 December 2014 and 31 December 2013, the fair value of current bank borrowings and borrowings bearing floating interest rates was not materially different from their carrying amounts.

The fair value of the non-current borrowings bearing fixed interest rate is estimated based on expected cash flows discounted at a prevailing market interest rate. At 31 December 2014, the fair value of the borrowings estimated with interest rate of 13.78% and 17.53% was less their carrying amount by US$ 42,107 thousand on the net basis (31 December 2013: fair value estimated with interest rate of 6.81% exceeded the carrying amount by US$ 17,038 thousand).

19 Bank borrowings and other loans received (continued)

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions. The Group was in compliance with covenants at 31 December 2014 and 31 December 2013.

Interest rates and outstanding amounts of major loans and borrowings

In September 2013, the Group obtained a credit facility of US$ 1.3 billion bearing interest at 3-month Libor +1.8% and maturing in September 2018. At 31 December 2014, the outstanding amount was US$ 1.3 billion (31 December 2013: US$ 1.3 billion).

In 2011, the Group signed a RUB 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 31 December 2014, the outstanding amount was RUB 17.5 billion (31 December 2013: RUB 20 billion).

In October 2013, the Group signed a US$ 100 million revolving fixed interest rate credit facility with a Russian bank, the credit limit of which was subsequently increased to US$ 200 million. In May 2014, the Group signed another credit facility with the same bank. In accordance with the terms agreed upon with the bank the combined credit limit on both of the facilities may not exceed US$ 700 million. The funds through this facility may be obtained in multiple currencies. At 31 December 2014, the outstanding amount was RUB 12 billion (31 December 2013: nil).

In October 2013, the Group signed a US$ 250 million 2-year loan agreement bearing a floating interest rate. At 31 December 2014, the outstanding amount was US$ 111,996 thousand (31 December 2013: nil).

In July 2014, the Group obtained fixed interest loans of RUB 15 billion from a Russian commercial bank. As at 31 December 2014 these loans were fully repaid.

Undrawn facilities

In December 2014 the Group signed a RUB 9.5 billion revolving committed credit facility with a major Russian bank.

In 2012 the Group signed a US$ 100 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor which was converted to a 4-year facility in 2014 (31 December 2013: the outstanding amount was US$ 30 million).

The above credit facilities had no outstanding balances at 31 December 2014, and are available to the Group.

Collaterals and pledges

At 31 December 2013 and 31 December 2014, the Group did not have assets pledged or held as collateral to secure borrowings and other loans received listed above.

20 Project finance

In August 2014, the Group signed a US$ 750 million Non-recourse Project Finance Facility Agreement ("Project Financing" or the "facility") maturing in 8 years after Financial Closing Date with a floating interest rate based on 3-month Libor for financing of Usolsky potash project located at the Palashersky and Balakhontsevsky blocks of the Verkhnekamskoe field of potassium and magnesium salt in the Perm region of the Russian Federation. Financial Closing Date was on 23 December 2014 and the facility has become available for utilisation. At 31 December 2014 costs associated with arrangement of the facility (including consultants, coordinators, agency and up-front fees) in the amount of US$ 17,053 thousand have been paid.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

20 Project finance (continued)

Due to non-recourse nature of the facility, the facility will be presented as a separate line in the non-current liabilities section of consolidated statement of financial position and is to be excluded from financial covenants calculations in accordance with the Group various debt, project, finance, legal and other documents.

A debt service reserve account of US$ 7,627 thousand was held at banks in compliance with terms of Project Finance Facility agreement.

As at 31 December 2014, 100% of the issued share capital of EuroChem Usolsky Mining S.à r.l., the project owner and wholly-owned subsidiary of the Group, were pledged as collateral under the terms of Project Finance facility agreement. The carrying value of the assets related to the project described above amounted to US$ 503,500 thousand.

In January 2015 the Group utilised the first loan (i.e. made the first drawndown) under Project Finance Facility of US$ 39,892 thousand.

21 Bonds issued

					31 December 2014		31 December 2013	
	Currency	Rate	Coupon rate	Maturity	Fair value	Carrying amount	Fair value	Carrying amount
Current bonds								
Short-term unsecured bonds payable	RUB	Fixed	8.25%	2015	81,321	88,876	-	-
Short-term unsecured bonds payable	RUB	Fixed	8.9%	2015	87,178	88,876	-	-
Less: transaction costs					-	(348)	-	-
Total current bonds					**168,499**	**177,404**	**-**	**-**
Non-current bonds								
Long-term unsecured bonds payable	US$	Fixed	5.125%	2017	666,923	750,000	756,443	750,000
Long-term unsecured bonds payable	RUB	Fixed	8.25%	2015	-	-	153,166	152,769
Long-term unsecured bonds payable	RUB	Fixed	8.9%	2015	-	-	153,991	152,769
Less: transaction costs					-	(1,846)	-	(4,995)
Total non-current bonds					**666,923**	**748,154**	**1,063,600**	**1,050,543**
Total bonds issued					**835,422**	**925,558**	**1,063,600**	**1,050,543**

The RUB-denominated bonds mature in 2018 but are callable by investors in 2015.

The fair value of the outstanding US$-denominated bonds and RUB-denominated bonds was determined with reference to their quotations on the Irish Stock Exchange and the Moscow Exchange, respectively.

22 Derivative financial assets and liabilities

At 31 December 2014, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 7,500 million	-	-	93,146	-
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 11,500 million	-	-	-	117,527
Cross currency interest rate swap	-	-	87,299	85,986
Total	**-**	**-**	**180,445**	**203,513**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

22 Derivative financial assets and liabilities (continued)

At 31 December 2013, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 19,000 million	32,502	-	-	-
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 6,600 million	-	9,991	-	-
EUR/US$ deliverable forward contracts with a nominal amount of US$ 3,575 thousand	-	139	-	-
Cross currency interest rate swap	-	-	4,350	6,487
Call options on iron ore	-	-	-	396
Total	**32,502**	**10,130**	**4,350**	**6,883**

Movements in the carrying amount of derivative financial assets/(liabilities) were:

	1 January 2014	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	31 December 2014
Operating activities	**(257)**	**216**	-	**41**	-
Call options on iron ore	(396)	337	-	59	-
Foreign exchange deliverable forward contracts, net	139	(121)	-	(18)	-
Investing activities	**2,687**	**(3,989)**	**(1,805)**	**3,107**	-
Foreign exchange non-deliverable forward contracts, net	2,687	(3,989)	(1,805)	3,107	-
Financing activities	**28,969**	**(519,605)**	**19,904**	**86,774**	**(383,958)**
Cross currency interest rate swaps, net	(10,837)	(196,467)	(3,571)	37,590	(173,285)
Foreign exchange non-deliverable forward contracts, net	39,806	(323,138)	23,475	49,184	(210,673)
Total derivative financial assets and liabilities, net	**31,399**	**(523,378)**	**18,099**	**89,922**	**(383,958)**

During the year ended 31 December 2014, the Group entered into four RUB/US$ non-deliverable forward contracts to sell a notional amount of RUB 5,500 million, one of which was used to offset another forward contract dated May 2012 with a notional amount of RUB 4,100 million. As of 31 December 2014, all of these contracts matured.

A non-deliverable forward contract with a notional amount of RUB 2,500 million which was entered into by the Group in June 2011 matured in December 2014.

In October and November 2014, the Group entered into three RUB/US$ cross currency interest swap contracts with a total notional amount of US$ 235 million. These contracts mature in September 2018.

Changes in the fair value of derivatives, which are entered into for the purpose of mitigating risks linked to cash flows from operating activities of the Group, amounting to US$ 216 thousand were recognised as a gain within “Other operating income and expenses”.

Changes in the fair value of derivatives related to investing and financing activities, which are entered into for the purpose of hedging the investing and financing cash flows, totalling US$ 523,594 thousand were recognised as a loss within “Other financial gain and loss” (Note 31).

(all amounts are presented in thousands of US dollars, unless otherwise stated)

22 Derivative financial assets and liabilities (continued)

Some financial institutions may require the Group to pay collateral to secure its obligations when the amount of liability arising on a derivative contract reaches a certain threshold. Due to higher than normal volatility of RUB/US$ exchange rate in the final months of 2014, the Group transferred funds in and out of its margin account to satisfy margin call requirements. As at 31 December 2014, the outstanding balance in the margin account was US$ 1,470 thousand, which was accounted for as other financial receivable within "Prepayments, other receivables and other current assets" in the consolidated statement of financial position.

23 Other non-current liabilities and deferred income

	Note	31 December 2014	31 December 2013
Deferred payable related to business combination		40,832	90,991
Deferred payable related to mineral rights acquisition		15,600	18,314
Provisions for age premium, retirement benefits, pensions and similar obligations		22,064	31,036
Provision for land restoration	24	8,423	11,616
Deferred income – Investment grant received		2,919	3,927
Total other non-current liabilities and deferred income		**89,838**	**155,884**

The carrying value of other non-current liabilities approximates their fair values.

In December 2014, the Group paid a portion of deferred compensation of US$ 44,276 thousand (2013: US$ 48,290 thousand) related to the business combination occurred in 2012.

24 Provision for land restoration

In accordance with federal, state and local environmental regulations the Group's mining, drilling and processing activities result in asset retirement obligations to restore the disturbed land in regions in which the Group operates.

Movements in the amount of provision for land restoration were as follows:

	Note	2014	2013
As at 1 January		**11,616**	**16,325**
Change in estimates	9	1,692	(4,722)
Unwinding of the present value discount	31	761	1,091
Currency translation difference		(5,646)	(1,078)
Total provision for land restoration as at 31 December		**8,423**	**11,616**

During the years ended 31 December 2014 and 31 December 2013 the Group reassessed the estimate of provision for land restoration due to changes in inflation, discount rates and expected timing for land restoration. Therefore, the amount of provision for land restoration was recalculated and the appropriate changes were disclosed as a change in estimates.

The principal assumptions used for the estimation of land restoration provision were as follows:

	31 December 2014	31 December 2013
Discount rates	8.2% - 13.6%	6.3% - 8.2%
Expected inflation rates in Russian Federation	5.0% - 10.0%	2.8% - 5.5%
Expected timing for land restoration	2015 - 2073	2015 - 2073

(all amounts are presented in thousands of US dollars, unless otherwise stated)

24 Provision for land restoration (continued)

The present value of expected costs to be incurred for the settlement of land restoration obligations was as follows:

	31 December 2014	31 December 2013
Between 1 and 5 years	2,215	3,509
Between 6 and 10 years	243	128
Between 11 and 20 years	3,133	1,136
More than 20 years	2,832	6,843
Total provision for land restoration	**8,423**	**11,616**

25 Trade payables, other accounts payable and accrued expenses

	31 December 2014	31 December 2013
Trade payables		
Trade payables denominated in US$	13,025	19,945
Trade payables denominated in RUB	65,199	79,534
Trade payables denominated in EUR	108,056	154,385
Trade payables denominated in other currencies	12,731	7,036
Total trade payables – financial liabilities	**199,011**	**260,900**
Other accounts payable and accrued expenses		
Advances received	39,134	73,779
Payroll and social tax	5,868	13,094
Accrued liabilities and other creditors	90,813	161,370
Subtotal non-financial liabilities	**135,815**	**248,243**
Interest payable	6,237	6,702
Payable relating to buy-back of ordinary shares of MCC EuroChem	9,000	-
Short term part of deferred payable related to mineral rights acquisition	3,328	5,468
Short term part of deferred payable related to business combination	42,042	47,552
Subtotal financial liabilities	**60,607**	**59,722**
Total other payables	**196,422**	**307,965**
Total trade payables, other accounts payable and accrued expenses	**395,433**	**568,865**
including		
Financial liabilities	259,618	320,622
Non-financial liabilities	135,815	248,243

As at 31 December 2014, trade payables included payables to suppliers of property, plant and equipment amounting to US$ 47,176 thousand (31 December 2013: US$ 42,451 thousand).

(all amounts are presented in thousands of US dollars, unless otherwise stated)

26 Sales

The external sales by product group for the years ended 31 December 2014 and 31 December 2013 were:

	2014		2013	
	Sales volume (thousand metric tonnes)	**Sales (thousand US$)**	**Sales volume (thousand metric tonnes)**	**Sales (thousand US$)**
Nitrogen products	**7,435**	**2,199,713**	**7,476**	**2,317,240**
Nitrogen fertilisers	7,419	2,197,067	7,454	2,313,478
Other products	16	2,646	22	3,762
Phosphate products	**2,346**	**1,104,793**	**2,389**	**1,129,011**
Phosphate fertilisers	2,052	958,463	2,082	975,632
Feed phosphates	294	146,330	307	153,379
Complex fertilisers	**1,571**	**685,566**	**1,570**	**751,600**
Other fertilisers	**45**	**16,776**	**37**	**14,587**
Iron ore concentrate	**5,508**	**438,621**	**5,851**	**661,134**
Apatite and baddeleyite concentrates	**-**	**33,473**	**-**	**58,947**
Apatite concentrate	4	736	140	33,050
Baddeleyite concentrate	9	32,737	7	25,897
Industrial products	**-**	**443,793**	**-**	**426,932**
Organic synthesis products	598	344,262	582	320,207
Other products	-	99,531	-	106,725
Hydrocarbons	**126**	**55,421**	**141**	**63,887**
Other sales	**-**	**109,344**	**-**	**132,320**
Logistic services	-	15,912	-	16,352
Other products	-	30,133	-	34,841
Other services	-	63,299	-	81,127
Total sales		**5,087,500**		**5,555,658**

27 Cost of sales

The components of cost of sales were:

	2014	2013
Raw materials	1,414,390	1,548,234
Goods for resale	387,328	431,543
Other materials	208,641	221,697
Energy	221,851	251,041
Utilities and fuel	122,977	145,224
Labour, including contributions to social funds	308,516	343,230
Depreciation and amortisation	218,928	251,557
Repairs and maintenance	87,497	85,940
Production overheads	83,417	96,599
Property tax, rent payments for land and related taxes	55,461	60,402
Idle property, plant and equipment write-off	5,003	18,406
Write-off for obsolete and damaged inventories, net	2,571	(45)
Changes in work in progress and finished goods	(50,341)	50,804
Other costs	7,426	37,098
Total cost of sales	**3,073,665**	**3,541,730**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

28 Distribution costs

Distribution costs were:

	2014	2013
Transportation	521,438	583,703
Export duties, other fees and commissions	2,125	4,867
Labour, including contributions to social funds	69,682	77,783
Depreciation and amortisation	30,268	39,274
Repairs and maintenance	12,404	25,170
Provision/(reversal of provision) for impairment of receivables, net	1,399	(58)
Other costs	56,529	62,449
Total distribution costs	**693,845**	**793,188**

29 General and administrative expenses

General and administrative expenses were:

	2014	2013
Labour, including contributions to social funds	108,492	98,837
Depreciation and amortisation	18,058	19,273
Audit, consulting and legal services	24,935	21,436
Rent	7,087	7,154
Bank charges	5,842	7,911
Social expenditure	4,191	5,401
Repairs and maintenance	2,255	3,413
Provision/(reversal of provision) for impairment of receivables, net	7,285	3,702
Other expenses	37,723	43,543
Total general and administrative expenses	**215,868**	**210,670**

The total depreciation and amortisation expenses included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to US$ 267,254 thousand (2013: US$ 310,104 thousand).

The total staff costs (including social expenses) included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to US$ 486,690 thousand (2013: US$ 519,850 thousand).

The total statutory pension contributions included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to US$ 75,211 thousand (2013: US$ 76,107 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2014 amounted to US$ 3,062 thousand (2013: US$ 3,590 thousand). The auditors also provided the Group with consulting and other services amounting to US$ 1,009 thousand (2013: US$ 1,726 thousand).

30 Other operating income and expenses

The components of other operating (income) and expenses were:

	2014	2013
Sponsorship	17,528	26,344
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	11,286	2,583
Foreign exchange (gain)/loss, net	(120,377)	(12,338)
Idle property, plant and equipment write-off	636	110
(Gain)/loss on sales and purchases of foreign currencies, net	(6,820)	(1,620)
Non-recurring income from settlement agreement	(50,400)	-
Other operating (income)/expenses, net	(7,985)	(1,723)
Total other operating (income)/expenses, net	**(156,132)**	**13,356**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

30 Other operating income and expenses (continued)

In the fourth quarter 2014, the Group recorded income of US$ 50,400 thousand resulting from a settlement agreement with a counterparty concerning trading activities of the Group, out of which US$ 25,200 thousand was received in November 2014. The outstanding amount receivable was accounted for within "Other account receivables".

31 Other financial gain and loss

The components of other financial (gain) and loss were:

	Note	2014	2013
Changes in fair value of foreign exchange non-deliverable forward contracts	22	327,127	16,794
Changes in fair value of cross currency interest rate swaps	22	196,467	5,174
Gain on disposal of subsidiaries	34	(1,611)	-
Unwinding of discount on deferred payables		4,974	6,604
Unwinding of discount on land restoration obligation	24	761	1,091
Total other financial (gain)/loss, net		**527,718**	**29,663**

32 Income tax

	2014	2013
Income tax expense – current	202,826	219,155
Deferred income tax – origination and reversal of temporary differences	(81,852)	(22,246)
Prior periods adjustments recognised in the current period for income tax	(281)	9,655
Reassessment of deferred tax assets / liabilities due to change in the tax rate	-	3,616
Income tax expense	**120,693**	**210,180**

A reconciliation between theoretical income tax charge calculated at the applicable tax rates enacted in the countries where Group companies are incorporated, and actual income tax expense calculated as follows:

	2014	2013
Profit/(loss) before taxation	**(456,884)**	**596,737**
Theoretical tax charge at statutory rate of subsidiaries	(52,205)	(169,511)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	(5,769)	(6,392)
- Foreign exchange gain of the subsidiaries with tax reporting currency different from functional currency	(69,104)	(9,271)
- Write-off of previously recognised tax loss carry forward	-	(2,168)
- Unrecognised tax loss carry forward for the year	-	(7,744)
- Utilisation of previously non-recognised tax-losses carry forward	6,531	-
- Reassessment of deferred tax assets / liabilities due to change in the tax rate	-	(3,616)
- Adjustment on deferred tax assets / liabilities on prior periods	(831)	(2,220)
- Withholding tax refund on dividends paid in prior periods	404	397
Prior periods adjustments recognised in the current period for income tax	281	(9,655)
Income tax expense	**(120,693)**	**(210,180)**

The Group companies are subject to tax rates depending on the country of domicile.

Subsidiaries located in the Russian Federation apply tax rate of 20.0% on taxable profits during the year ended 31 December 2014 (2013: 20.0%), except for several subsidiaries which applied reduced income tax rates within a range from 15.5% to 19.3% according to regional tax law and agreements with regional authorities.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

32 Income tax (continued)

Two major manufacturing entities located in European Union, Lifosa AB in Lithuania and EuroChem Antwerpen NV in Belgium, apply tax rates of 15.0% and 33.99% on taxable profits, respectively (2013: 15.0% and 33.99%).

The rest of the subsidiaries are subject to the tax rates on taxable profit ranging from 7.8% to 37.7%.

At 31 December 2014, the Group had US$ 203,947 thousand (31 December 2013: US$ 218,108 thousand) of accumulated tax losses carried forward. Out of these, US$ 179,687 thousand were recognised as deferred tax assets (31 December 2013: US$ 187,317 thousand) as the realisation of the related tax benefits is probable through future taxable profits. The Group did not recognise deferred tax assets of US$ 24,260 thousand (31 December 2013: US$ 30,791 thousand) because it is not probable that future taxable profit will be available against which the Group can utilise such benefits. The unrecognised tax loss carry forwards expire as follows:

	31 December 2014	31 December 2013
Tax loss carry-forwards expiring by:		
- 31 December 2018	-	1,860
- 31 December 2019	3,612	8,283
- 31 December 2020	4,610	4,610
- 31 December 2021	8,294	8,294
- 31 December 2022	7,744	7,744
Tax loss carry forward	**24,260**	**30,791**

The Group did not recognise a deferred tax liability in respect of temporary differences associated with investments in subsidiaries of US$ 1,052,401 thousand (31 December 2013: US$ 1,887,573 thousand). The Group controls the timing of the reversal of these temporary differences and does not expect to reverse them in the foreseeable future. The Group recognised a deferred tax liability in respect of temporary differences related to the investments in associates of US$ 1,726 thousand (2013: US$ 1,042 thousand).

The movement in deferred tax (assets) and liabilities during 2014 and 2013 was as follows:

	1 January 2014	Differences recognition and reversals	Write-off of previously recognised tax loss carry forward	Utilisation of previously non-recognised tax-losses carry forward	Currency translation difference (Note 2)	Effect of change in the tax rate	31 December 2014
Tax effects of (deductible)/taxable temporary differences							
Property, plant and equipment and Intangible assets	216,966	66,922	-		(105,209)	-	178,679
Accounts receivable	(5,613)	228	-		2,122	-	(3,263)
Accounts payable	(9,987)	5,043	-		2,145	-	(2,799)
Inventories	(1,578)	(29,932)	-		8,530	-	(22,980)
Other	2,995	(60,421)	-		9,775	-	(47,651)
Tax losses carried-forward	(218,108)	(63,692)	-	6,531	71,322	-	(203,947)
Less: Unrecognised deferred tax assets	30,791	-	-	(6,531)	-	-	24,260
Net deferred tax (asset)/liability	**15,466**	**(81,852)**	**-**	**-**	**(11,315)**	**-**	**(77,701)**
Recognised deferred tax assets	(182,393)	(116,404)	-	-	78,920	-	(219,877)
Recognised deferred tax liabilities	197,859	34,552	-	-	(90,235)	-	142,176
Net deferred tax (asset)/liability	**15,466**	**(81,852)**	**-**	**-**	**(11,315)**	**-**	**(77,701)**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

32 Income tax (continued)

	1 January 2013	Differences recognition and reversals	Write-off of previously recognised tax	Utilisation of previously non-recognised tax-losses carry forward	Currency translation difference (Note 2)	Effect of change in the tax rate	31 December 2013
Tax effects of (deductible)/ taxable temporary differences:							
Property, plant and equipment and Intangible assets	158,655	72,969	-	-	(16,049)	1,391	216,966
Accounts receivable	(8,675)	2,746	-	-	316	-	(5,613)
Accounts payable	(7,184)	(3,051)	-	-	248	-	(9,987)
Inventories	(8,611)	6,583	-	-	492	(42)	(1,578)
Other	6,323	(5,169)	-	-	(426)	2,267	2,995
Tax losses carried-forward	(117,528)	(106,753)	2,168	-	4,005	-	(218,108)
Less: Unrecognised deferred tax assets	23,047	7,744	-	-	-	-	30,791
Net deferred tax (asset)/liability	**46,027**	**(24,931)**	**2,168**	**-**	**(11,414)**	**3,616**	**15,466**
Recognised deferred tax assets	(161,284)	(25,352)	2,168	-	2,075	-	(182,393)
Recognised deferred tax liabilities	207,311	421	-	-	(13,489)	3,616	197,859
Net deferred tax (asset)/liability	**46,027**	**(24,931)**	**2,168**	**-**	**(11,414)**	**3,616**	**15,466**

The amounts shown in the consolidated statement of financial position include the following:

	31 December 2014	31 December 2013
Deferred tax assets expected to be recovered after more than 12 months	(165,491)	(148,829)
Deferred tax liabilities expected to be settled after more than 12 months	137,644	188,245

The total amount of the deferred tax charge for 2014 is recognised in profit and loss (2013: US$ 517 thousand of deferred tax charge was recognised in other comprehensive income).

33 Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Company has no dilutive potential ordinary shares and, therefore, the diluted earnings or loss per share equals the basic earnings or loss per share.

After the capital reorganisation of the Group (Note 1), comparative information about earnings per share has been recalculated with weighted average number of ordinary shares issued by the Company.

	2014	2013
Net profit/(loss) for the period attributable to owners of the parent	(577,482)	386,755
Weighted average number of ordinary shares outstanding	1,000	1,000
Earnings/(loss) per share - basic and diluted	**(577.48)**	**386.76**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

34 Balances and transactions with related parties

The Group related parties are considered to include the ultimate beneficiaries, affiliates and entities under common ownership and control within the Group and/or entities having common principal ultimate beneficiaries. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	31 December 2014	31 December 2013
Statement of financial position			
Non-current originated loans (Note 16)	Other related parties*	40,170	12,700
Current originated loans (Note 16)	Parent company	21,800	-
Current originated loans	Associates	4,602	-
Prepayments, other receivables and other current assets:			
Interest receivables	Associates	3,260	-
Interest receivables	Other related parties*	1,518	177
Other receivables	Other related parties	3,577	1,037
Bonds issued	Other related parties	2,500	2,500
Loan received from shareholder (Note 19)	Other related parties**	30,000	-
Trade payables	Other related parties	-	2,311
Other accounts payable and accrued expenses:			
Payable relating to buy-back of ordinary shares of MCC EuroChem	Other related parties*	9,000	-

Financial statements caption	Nature of relationship	2014	2013
Statement of profit or loss and other comprehensive income			
Sales	Other related parties	1,307	3,866
Distribution costs	Associates	(2,157)	(7,644)
Distribution costs	Other related parties	(4,201)	(6,980)
General and administrative expenses	Other related parties	(11)	(1,759)
Interest income	Other related parties*	1,267	182
Interest expense	Other related parties**	(2,653)	-
Statement of cash flows			
Increase in other receivables	Associates	(4,774)	-
Increase in other receivables	Other related parties	(1,232)	(1,220)
Increase/(decrease) in trade payables	Other related parties	(1,969)	2,283
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(3,133)	(567)
Proceeds from sale of available-for-sale investments	Parent company	-	3,081
Repayment of originated loans	Parent company	-	63,779
Non-current originated loans	Other related parties	(470)	(12,700)
Current originated loans	Parent company	(21,800)	(20,000)
Current originated loans	Associates	(6,357)	-
Loan received from shareholder	Other related parties**	63,000	-
Loan repaid to shareholder	Other related parties**	(83,000)	-
Interest paid	Other related parties**	(2,360)	-
Purchase of ordinary shares of MCC EuroChem	Parent company	(20,000)	(427,000)
Purchase of ordinary shares of MCC EuroChem	Other related parties*	(106,000)	-
Proceeds from sale of ordinary shares MCC EuroChem	Parent company	135,000	300,000
Proceeds from sale of ordinary shares MCC EuroChem	Other related parties*	300,000	-
Payment received from parent for contribution into Company	Parent company	5,000	-
Capital contribution	Other related parties	-	50,000

* Related parties represented by the companies under common control with the Group.

** Related party represented by the company ultimately controlled by one of the Group's shareholder.

34 Balances and transactions with related parties (continued)

Transactions with ordinary shares of MCC EuroChem. During the year ended 31 December 2014, the Group had the following transactions with the ordinary shares of MCC EuroChem, the wholly-owned subsidiary of the Group:

- sale to the company which is under common control with the Group of 1,680,674 of the ordinary shares (or 2.47% of the issued share capital) for US$ 300 million; buy-back of 644,258 of the ordinary shares (or 0.947% of the issued share capital) for US$ 115 million with outstanding amount payable of US$ 9 million which was accounted for within "Other account payables and accrued expenses" in the consolidated statement of financial position as at 31 December 2014;
- buy-back from EuroChem Group SE, the parent company of the Group, of 112,045 of the ordinary shares (or 0.16% of the issued share capital) for US$ 20 million; sale of 756,303 of the ordinary shares (or 1.11% of the issued share capital) for US$ 135 million.

Disposal of subsidiaries. In July 2014, the Group sold two subsidiaries, engaged in shipping operations, to EuroChem Group SE, the parent company of the Group. The Group recognised a gain on disposal of US$ 1,611 thousand.

Management compensation. The total key management personnel compensation included in the profit or loss was US$ 10,081 thousand and US$ 11,075 thousand for the year ended 31 December 2014 and 31 December 2013, respectively. This compensation is paid to seven individuals (who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

35 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 December 2014, the Group had contractual commitments for capital expenditures of US$ 534,323 thousand (31 December 2013: US$ 739,413 thousand), including amounts denominated in different currencies, the major of which are RUB (US$ 212,605 thousand of the total commitments) and EUR (US$ 254,107 thousand of the total commitments). Of these commitments, management estimates that approximately US$ 422 million will represent cash outflows in 2015.

US$ 114,580 thousand and US$ 236,978 thousand of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2013: US$ 121,673 thousand and US$ 297,085 thousand, respectively).

ii Tax legislation

The management of the Group believes that its interpretation of the tax legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained.

Given the scale and international nature of the Group's business, intra-group transfer pricing is an inherent tax risk as it is for other international businesses. Changes in tax laws or their application with respect to matters such as transfer pricing in the countries where the Group has subsidiaries could increase the Group's effective tax rate.

The majority of Group's subsidiaries are located in Russian Federation and required to comply with Russian tax, currency and customs legislation which is subject to varying interpretations. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments than the Management of the Group, and it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review with possible extension of this period under certain circumstances.

35 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income will be subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual.

Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group recognises provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 31 December 2014 and 31 December 2013.

iii Insurance policies

The Group obtains risk insurance cover as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), general liability, physical property and business interruption insurance at nitrogen and phosphate production plants, as well as insurance policies related to trade operations, including export shipments, and credit insurance of trade debtors.

The Group also carries voluntary life and accident insurance for employees.

Additionally, as part of the Verkhnekamskoe potash project the Group has voluntarily insured construction risks of all mining and surface facilities related to this project including third party liability insurance during construction works. The insurance covers the risks of destruction and damage related to all facilities including previously constructed starting from November 2014 to July 2020, including two year guarantee period.

iv Environmental matters

The Group is subject to federal, state and local environmental regulations in the regions in which it operates. Environmental regulation in the Russian Federation, where the majority of Group's subsidiaries are located, is evolving and the enforcement posture of government authorities is continually being reconsidered.

The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. The Group's management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates and that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

In October 2012, the Group filed a claim against SHAFT SINKERS (PTY) LTD and ROSSAL 126 (PTY) LIMITED (formerly known as SHAFT SINKERS (PTY) LTD.), ("Shaft Sinkers"), the contractor involved in the construction of the mining shafts at the Gremyachinskoe potash deposit, seeking US$ 800 million compensation for the direct costs and substantial lost profits arising from the delay in commencing potash production, due to the inability of that construction company to fulfil its contractual obligations. Based upon the damages report provided by an independent expert, the amount of the claim was increased up to the US$ 1.06 billion which includes net wasted costs to the amount of US$ 248 million and lost profits in the amount of US$ 812 million.

35 Contingencies, commitments and operating risks (continued)

v Legal proceedings (continued)

In December 2012, Shaft Sinkers filed a counterclaim against the Group, seeking US$ 44 million without Russian VAT of 18% or US$ 52 million with VAT under the construction contract. In its counterclaim, Shaft Sinkers admits that it will give credit, in respect of any sums awarded to it, for a deduction of US$ 30.6 million in respect of advance payments made by the Group with the result that the maximum net claim from Shaft Sinkers is US$ 14 million. Management believes that this counterclaim is without merit.

The above disputes are subject to arbitration as specified in the contract.

In March 2013, the Group filed a claim against International Mineral Resources B.V. ("IMR") which, the Group believes, held a controlling interest in Shaft Sinkers, claiming IMR is responsible for its subsidiary's actions. In July 2013, the Dutch Court granted EuroChem definitive leave for levying the requested prejudgment attachments against IMR's Dutch assets, while fixing the amount for which the leave is granted, including interest and cost at EUR 886 million. The court held an in-depth hearing on 21 January 2014 where it considered the arguments and witnesses of both sides. Following that hearing, the court rejected IMR's request to suspend the case and stated that IMR would not be permitted to submit any additional evidence. On 25 June 2014, the Dutch court denied the Group's claim against IMR. On 18 September 2014, the Group filed a writ supported by newly discovered additional evidence with the Dutch appeal court. The management of the Group believes that it has very strong evidence to support its case against IMR.

vi Operating environment of the Group

The Group operates in the fertilisers industry primarily in the Russian Federation and European countries. The highly competitive nature of the market makes prices of the key Group products relatively volatile.

Possible deteriorating economic conditions, including continuing depreciation of RUB exchange rate (see rates described in Note 2), may have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations undertaken.

Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes all necessary measures are being taken to support the sustainability and growth of the Group's business in the current circumstances.

During the year ended 31 December 2014, political and economic instability in Ukraine increased significantly. Sales to Ukraine accounted for 4.7% of total revenue in the year ended 31 December 2014. Group assets in Ukraine are insignificant and have been provided for accordingly. Management is monitoring and assessing the situation and believes that it would be able to redirect sales to other markets at minimal costs should its ability to maintain profitable business in the Ukrainian market be impaired.

36 Financial and capital risk management

36.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

The Group's revenues, expenses, capital expenditure, investments and borrowings are denominated in foreign currencies as well as in Russian Roubles. The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

36 Financial and capital risk management (continued)

36.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

The objective of the Group's foreign exchange risk management is to minimise the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows.

Translation gains and losses arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The table below summarises the Group's financial assets and liabilities which are subject to foreign currency risk at the reporting date:

31 December 2014	US$	EUR	RUB	Other currencies
ASSETS				
Non-current financial assets:				
Restricted cash	8,345	50	-	220
Originated loans	40,170	-	-	-
Other non-current assets	5,230	-	-	-
Total non-current financial assets	**53,745**	**50**	**-**	**220**
Current financial assets:				
Trade receivables	127,292	3,284	-	63
Interest receivable	1,814	-	-	-
Other receivables	27,200	-	-	-
Originated loans	24,800	-	-	-
Fixed-term deposits	4,378	-	-	-
Cash and cash equivalents	162,605	34,041	-	4,646
Total current financial assets	**348,089**	**37,325**	**-**	**4,709**
Total financial assets	**401,834**	**37,375**	**-**	**4,929**
LIABILITIES				
Non-current liabilities:				
Loan received from shareholder	30,000			
Bank borrowings		-	346,615	-
Bonds issued	750,000	-	-	-
RUB/US$ cross currency swap (gross amount)	235,000	-	-	-
RUB/US$ non-deliverable forwards	93,146	-	-	-
Deferred payable related to mineral rights acquisition	12,520	-	-	-
Total non-current financial liabilities	**1,120,666**	**-**	**346,615**	**-**
Current liabilities:				
Bank borrowings	111,996	-	177,751	-
RUB/US$ cross currency swap (gross amount)	159,084	-	-	-
RUB/US$ non-deliverable forwards	117,527	-	-	-
Trade payables	4,418	11,987	-	417
Interest payable	2,534	-	299	-
Deferred payable related to mineral rights acquisition	2,842	-	-	-
Total current financial liabilities	**398,401**	**11,987**	**178,050**	**417**
Total financial liabilities	**1,519,067**	**11,987**	**524,665**	**417**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

36 Financial and capital risk management (continued)

36.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

31 December 2013	US$	EUR	Other currencies
ASSETS			
Non-current financial assets:			
Restricted cash	718	74	212
Originated loans	12,700	-	-
RUB/US$ non-deliverable forwards	32,502	-	-
Total non-current financial assets	**45,920**	**74**	**212**
Current financial assets:			
Trade receivables	119,927	5,777	69
Interest receivable	193	-	-
Other receivables	882	341	-
Originated loans	3,000	-	-
RUB/US$ non-deliverable forward contracts	9,991	-	-
Euro/US$ deliverable forwards	139	-	-
Fixed-term deposits	2,826	234	-
Cash and cash equivalents	203,776	13,548	1,237
Total current financial assets	**340,734**	**19,900**	**1,306**
Total financial assets	**386,654**	**19,974**	**1,518**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	1,469,635	41,946	-
Bonds issued	750,000	-	-
RUB/US$ cross currency swap (gross amount)	159,084	-	-
Deferred payable related to mineral rights acquisition	14,387	-	-
Total non-current financial liabilities	**2,393,106**	**41,946**	**-**
Current liabilities:			
Bank borrowings	178,573	4,935	-
Trade payables	19,743	80,385	1,251
Interest payable	4,365	367	-
Deferred payable related to mineral rights acquisition	4,740	-	-
Total current financial liabilities	**207,421**	**85,687**	**1,251**
Total financial liabilities	**2,600,527**	**127,633**	**1,251**

The Group includes a number of subsidiaries with Russian rouble functional currency which have a significant volume of US$-denominated transactions. At 31 December 2014, if the RUB exchange rate against the US$ had been higher/lower by 1%, all other things being equal, after tax result for the year and equity would have been US$ 10,765 thousand (2013: US$ 14,318 thousand) lower/higher, purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities and with no regard to the impact of this appreciation/depreciation on sales.

The Group is disclosing the impact of such a 1% shift in the manner set out above to ease the calculation for the users of these consolidated financial statements of the impact on the after tax profit and equity resulting from subsequent future exchange rate changes; this information is not used by the management for foreign currency risk management purposes.

During 2014 and 2013, the Group entered into foreign exchange non-deliverable forward contracts to reduce volatility of its future cash flows matching the currency of its borrowings with the currency, in which a positive gap between proceeds and outgoings is expected by the time the borrowings mature (the largest such gap being in the US$ (Note 22).

The Group's sales for the years ended 31 December 2014 and 31 December 2013 are presented in the table below:

(all amounts are presented in thousands of US dollars, unless otherwise stated)

36 Financial and capital risk management (continued)

36.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

	US$	EUR	RUB	Other currencies	Total
	2,409,513	1,393,008	1,010,625	274,354	5,087,500
2014	47%	27%	20%	6%	100%
	2,941,774	1,170,104	1,072,997	370,783	5,555,658
2013	53%	21%	19%	7%	100%

The Group believes that it has significant positive foreign exchange exposure towards the RUB/US$ exchange rate given that the expected US$ denominated revenues exceed the planned outflows in US$, mostly related to servicing of debt and capital expenditure.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings.

The Group is exposed to risk from floating interest rates due to the fact that it has US$ 1,586,996 thousand of US$ denominated loans outstanding at 31 December 2014 (31 December 2013: US$ 1,648,207 thousand) bearing floating interest rates varying from 1-month Libor +2.25% to 1-month Libor +2.5%, 3-month Libor +1.8% to 3-month Libor +2.9% (2013: from 1-month Libor +2.5% to 1-month Libor +3.25%, 3-month Libor +2.3% and 6-month Libor +2.5%). There were no Euro denominated loans outstanding at 31 December 2014 (31 December 2013: US$ 46,881 thousand bearing 6-month Euribor +1.95%). The Group's profit after tax for the year ended 31 December 2014 and equity would have been US$ 1,089 thousand, or 0.2% lower/higher (2013: US$ 1,389 thousand, or 0.4% lower/higher) if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year. The Group's profit after tax for the year ended 31 December 2014 and equity would have been US$ 23 thousand, or 0.004% lower/higher (2013: US$38 thousand or 0.01% lower/higher) if the Euribor interest rate was 10 bps higher/lower than its actual level during the year. During 2014 and 2013, the Group did not hedge this exposure using financial instruments.

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates for as long as the impact of changes in interest rates on the Group's cash flows remains immaterial. The Group performs periodic analysis of the current interest rate environment on the basis of which management makes decisions on the appropriate mix of fixed-rate and variable-rate debt for both existing and planned new borrowings.

(iii) Financial investments risk

The Group can be exposed to equity securities price risk because of investments that can be held by the Group. As at 31 December 2014 and 31 December 2013 the Group was not exposed to equity securities price risk. During 2013 and 2014, the Group did not hedge this exposure using financial instruments.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

36 Financial and capital risk management (continued)

36.1 Financial risk management (continued)

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets, which at 31 December 2014 amounted to US$ 838,760 thousand (31 December 2013: US$ 969,688 thousand). The Group has no significant concentrations of credit risk.

Cash and cash equivalents and fixed-term deposits. Cash and short-term deposits are mainly placed in major multinational banks and banks with independent credit ratings. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances, term and fixed-term deposits in Note 17.

Trade receivables. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level. The Group holds voluntary credit insurance policies of some trade debtors relating to the distribution of fertilisers.

Trade receivables are to a large extent secured against a default risk by means of appropriate insurance coverage. Receivables management is geared towards collecting all outstanding accounts punctually and in full and to avoid the loss of receivables.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers. The credit quality of each new customer is analysed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency or the score and credit limits for new customers are set by the appointed insurance company. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors.

Customers that do not meet the credit quality requirements are supplied on a prepayment basis only.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 15).

(all amounts are presented in thousands of US dollars, unless otherwise stated)

36 Financial and capital risk management (continued)

36.1 Financial risk management (continued)

(b) Credit risk (continued)

The major part of trade receivables that is neither past due nor impaired relates to wholesale distributors and steel producers for which the credit exposures and related ratings are presented below:

Group of customers	Rating agency	Credit rating/Other	31 December 2014	31 December 2013
Wholesale customers	-	Credit Insurance	211,676	156,499
Wholesale customers	-	Letter of credit	53,891	71,247
Wholesale customers	-	Bank guarantee	18,049	17,799
Wholesale customers and steel producers	Standard & Poor's	2014: A+ to BBB 2013: BB+ to BBB	10,661	27,497
Wholesale customers	Credit Reform*	Good	1,466	3,010
Wholesale customers	Dun & Bradstreet Credibility Corp.*	2014: Minimum risk of failure 2013: Strong	3,214	13,710
Wholesale customers	Dun & Bradstreet Credibility Corp.*	2014:Lower than average risk 2013: Good	7,596	13,712
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Average risk of failure	2,145	6,282
Wholesale customers	LINCE - cerved group	A 2.2.- B 1.2	681	260
Wholesale customers	ICAP	5 stars	-	383
Wholesale customers	CreditInfo	A-very good	687	1,281
Wholesale customers	AK&M	A	-	1,335
Wholesale customers	Other local credit agencies	-	1,035	-
Total			**311,101**	**313,015**

* - Independent credit agencies used by the Group for evaluation of customers' credit quality.

The rest of trade receivables is analysed by management who believes that the balance of the receivables is of good quality due to strong business relationships with these customers. The credit risk of every individual customer is monitored.

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

In order to take advantage of financing opportunities in the international capital markets, the Group maintains credit ratings from Fitch and Standard & Poor's. As at 31 December 2014, these institutions had affirmed the Group's rating at BB with stable outlook (31 December 2013: BB with stable outlook).

Cash flow forecasting is performed throughout the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 19) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

36 Financial and capital risk management (continued)

36.1 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
As at 31 December 2014					
Trade payables	199,011	-	-	-	**199,011**
*Gross-settled swap:***					
- inflows	(116,608)	(20,422)	(214,204)	-	**(351,234)**
- outflows	177,104	11,829	255,762	-	**444,695**
Derivative financial liabilities	117,527	93,146	-	-	**210,673**
Bank borrowings*	664,050	708,702	1,044,988	-	**2,417,740**
Bonds issued*	227,680	38,437	788,438	-	**1,054,555**
Other liabilities	46,694	45,695	4,492	18,853	**115,734**
As at 31 December 2013					
Trade payables	260,900	-	-	-	**260,900**
*Gross-settled swap:***					
- inflows	(12,569)	(165,338)	-	-	**(177,907)**
- outflows	6,193	165,276	-	-	**171,469**
Derivative financial liabilities	396	-	-	-	**396**
Bank borrowings*	358,675	691,368	1,464,750	47,315	**2,562,108**
Bonds issued*	61,405	363,728	826,875	-	**1,252,008**
Other liabilities	54,602	52,451	54,635	20,810	**182,498**

* - The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as at 31 December 2014 and 31 December 2013, respectively.

** - Payments in respect of the gross settled swap will be accompanied by related cash inflows.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group. Such cash balances are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS.

The Group assesses liquidity on a weekly basis using a twelve-month cash flow rolling forecast.

36.2 Capital risk management

The Group's objective when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternatives, such as the value of equity shown in the Company's statutory financial (accounting) reports.

The Group monitors capital on the basis of the gearing ratio. Additionally, the Group monitors the adequacy of its debt levels using the net debt to EBITDA ratio.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

36 Financial and capital risk management (continued)

36.2 Capital risk management (continued)

Gearing ratio

The gearing ratio is determined as net debt to net debt plus shareholders' equity.

The gearing ratio as at 31 December 2014 and 31 December 2013 is shown in the table below:

	31 December 2014	31 December 2013
Total debt	3,057,706	3,312,208
Less: cash and cash equivalents and fixed-terms deposits	376,858	580,343
Net debt	**2,680,848**	**2,731,865**
Equity attributable to the holders of the Company	**2,195,885**	**3,716,670**
Net debt and shareholders' equity	**4,876,733**	**6,448,535**
Gearing ratio, %	**55%**	**42%**

Net Debt/EBITDA

The Group has established a policy that the ratio of the Group's net debt to its 12 months' rolling EBITDA should not exceed two and a half times in normal market conditions. For this purpose net debt is determined as the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents.

The ratio of net debt to EBITDA as at 31 December 2014 and 31 December 2013 is shown in the table below:

	Note	2014	2013
EBITDA	8	**1,512,992**	**1,348,994**
Share of net profit from PJSC "Murmansk Commercial Seaport" from 1 January 2013 to the date of acquisition		-	5,955
EBITDA including share of net profit in associates before acquisition		**1,512,992**	**1,354,949**
Net debt		2,680,848	2,731,865
Net debt/EBITDA		**1.77**	**2.02**

For the purpose of this calculation EBITDA includes EBITDA of acquired subsidiaries and share of net profit in acquired associates for the period from 1 January to the date of acquisition.

Since EBITDA is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.